

**A CONGRESSIONAL CONFERENCE ON
"A FULL-EMPLOYMENT POLICY: AN EXAMINATION OF
ITS IMPLICATIONS"**

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BEFORE THE

JOINT ECONOMIC COMMITTEE


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CONGRESSIONAL CONFERENCE

"A FULL-EMPLOYMENT POLICY:
An Examination of Its Implications"

Moderator: Willard Wirtz

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Nancy Barrett	Dick Kaufman
Barbara Bergman	Leon Keyserling
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Dale Bumpers	Carl Madden
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Robert B. Hill	Murry Wernick

Edited by: William Meyers and Jay M. Gould

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EDITORS' NOTE

This is an edited transcript of a Congressional Conference on "A FULL-EMPLOYMENT POLICY: An Examination of Its Implications," held in the Dirksen Senate Office Building on 10 December 1975. Nineteen members of the United States Senate and fifty members of the House of Representatives sponsored the forum which was arranged by the Joint Economic Committee and the Council for National Policy Planning.

We have attempted to edit the proceedings of this Conference as minimally as possible. Our first version has been prepared primarily for Congressional sponsors and Conference participants. An expanded version, which will be available shortly, will include other relevant material.

January 1976

William Meyers and Jay M. Gould

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INTRODUCTION

HUMPHREY: It is a great pleasure to welcome each and every one of the distinguished participants to this Conference. You bring together in this room not only a wealth of knowledge and expertise on employment problems, but also a shared conviction that full employment is an essential national goal and a shared distress that we are presently so far from that goal. Each of us is here today not just because we are experts in some aspect of the economic situation but because we are concerned, because we want to improve the presently most unsatisfactory outlook for employment.

I want to thank Bill Meyers of the Council for National Policy Planning for arranging this Conference. He has done, as he always does, a splendid job of conceiving the idea, convincing the rest of us that it was a good idea, and arranging this Conference. I want also to especially thank my good friend Willard Wirtz for agreeing to serve as moderator today. There is simply no one else who could bring to that task quite the same combination of knowledge, interest and ability as Mr. Wirtz.

I hope for two kinds of results from this Conference. First, I hope for and certainly expect fresh ideas and new agreement on the techniques for achieving full employment. Even more important, I hope for and expect fresh ideas and wider agreement on the means for achieving a renewed national commitment to the goal of full employment.

1976 will be the 30th anniversary of the Employment Act of 1946. I think that it might be helpful to recall this morning the genesis of that Act and the legislative trials and tribulations which it experienced. As World War II was drawing to a close, attention was turned to the need to sustain full employment after the War. Memories of the Great Depression were still fresh. Many in Congress and elsewhere felt the need for an explicit national commitment, embodied in legislation, not only to full employment but to the explicit use of the Federal budget as a principal tool for maintaining full employment.

This commitment, although strongly felt by many in and out of Congress, was not shared by a sufficient number of Congressmen. Thus, what was enacted in 1946 was not the Full Employment Act which was originally proposed, but simply the Employment Act. The firm commitment to full employment and the procedures for using the budget to achieve that goal were removed from the draft legislation before it was passed.

As enacted, the Employment Act of 1946 is a commitment, not to full employment, but to "conditions under which there will be afforded useful employment opportunities . . . for those able, willing and seeking to work." Thus the Employment Act recognizes the importance of employment opportunities, but it does not really contain a national commitment to full employment.

The first question on the national agenda today and, I would suggest, on the agenda of this Conference is: How strong is the national commitment to the goal of full employment? Is it time to make a new commitment, embodied in new legislation?

Of course, I think it is time. That is why I have introduced S. 50, "The Equal Opportunity and Full Employment Act." I do not for a moment suppose that my bill S. 50 is adequate in all its details. Indeed, I am actively working on a revised version. However, the commitment to full employment is there. That is the first step.

I was extremely pleased to learn that just within the past week the AFL-CIO's Economic Policy Committee has issued a statement calling for full-employment legislation as a "must" item on the Congressional agenda next year. This, I think, is clear evidence that the national commitment and the national consensus for a truly full employment policy are growing. I hope this Conference will address itself to the question of how to further strengthen this national commitment.

A commitment to full employment is necessary, it is basic, but it is not by itself sufficient. Also necessary are the techniques, the programs, the policy tools for getting to and remaining at full employment.

Indeed, the commitment to full employment may depend on an assurance that the tools and the techniques for getting there exist. It is easy enough to say that "where there is a will there is a way"--that if the commitment is strong enough the goal will be achieved. In reality, however, if the means for reaching the goals are not apparent, the commitment itself may falter. Many people currently believe that full employment is unachievable or that it would bring with it dire inflationary consequences. Until at least a majority of these people can be convinced that full employment is an achievable, practical goal, the commitment for reaching this goal will be lacking.

A second reason why the national commitment to full employment has been weak is that the benefits of full employment have not been fully understood. They are not fully understood today.

Two types of benefits come from employment. The first are the benefits that come from working. These benefits are obvious: income, personal satisfaction, human dignity, good citizenship. These in themselves are enormous benefits. Nonetheless, recent history seems to tell us that by themselves these benefits are not sufficient to create a meaningful national commitment to full employment.

The second type of benefit from employment is the work that

gets done. If the public at large, not to mention Senators and Presidents, could be made to understand what full employment would mean not only in terms of jobs but also in terms of production, the commitment to full employment would be greatly strengthened. If we could only understand that by putting the unemployed to work we would obtain the labor necessary to build houses, collect the trash, restore our cities, clean up and beautify this entire country, we would make a great leap forward in national understanding. Perhaps the way to get to full employment is first to sit down and make a list of all the work that needs doing and the number of people needed to get it done. Approached that way, we might discover we have a labor shortage.

Much of this work that needs doing is in the public sector. If I want to buy a new television, a washing machine, an automobile, a fur coat, or virtually any other privately produced consumer good, the goods are available. The stores are full. For those with the money there is no great difficulty in purchasing privately produced goods. However, if I want my child well educated, my street clean and safe, my neighborhood park well maintained, it's not so easy. This country is desperately short on public goods and services of the most basic nature. Every day we grow shorter and shorter of these basic items because of the financial constraints on state and local government. How ironic, how tragic it is that there are millions of idle people on the

one hand and so much undone work on the other. Wouldn't there be enormous national benefits if the idle people and the undone work could be brought together?

The path to full employment obviously will be long and tortuous. Every economic projection--and I have seen a good many--shows unemployment rates still at 5, 6 or even 7 percent in 1980. The argument that we can never again safely bring the unemployment rate below 5 or 6 percent is heard on every hand.

I would like to charge this Conference with the task of helping to prove these pundits wrong. A way must be found to bring unemployment rates down to more tolerable levels and to do so within a reasonable time frame.

At the same time, we must avoid becoming so absorbed in long-range projections and in setting ambitious long-range goals that we neglect more immediate problems. Right now the unemployment rate is 8.3 percent, and it does not seem to be coming down very fast. While we need a long-range program for changing the structure of the economy and making it possible to bring unemployment rates down to 3 percent or lower, we also need immediate action to provide jobs for millions of unemployed during the long hot summer and the long cold winter of 1976.

In sum, I would like to charge this Conference with the task of bringing together the best of thinking on goals and on means for reaching those goals; the best of thinking on first steps to deal with the current emergency and on ultimate achievement of truly full employment. Those are ambitious requests, but I think there has been gathered in this room today an enormous wealth of knowledge and ideas. You are the people who can propose the solution to these problems, if anyone can.

HAWKINS: No matter what we may be discussing or how we may feel about the issues, basically until we get this country moving ahead, until we return people to work, until we put idle plans to work, there is no solution to the other issues. This is the basic thing.

There is no need to talk in beautiful rhetoric about anything else if people are not going to be put back to work.

My Subcommittee has just completed 10 regional hearings. The people, I think, are way ahead of us here in Washington. They are way ahead of us in their thinking and their demands and their aspirations. And I think that we are going to have to speed up the processes in order to somehow catch up with the general public.

The other day I just picked up this little random article

which says that today we are spending \$287 billion on public, social welfare of various kinds. This, together with public expenditures on social programs, amounts to about 27 percent of the gross national product. I think that this is certainly an indication of policies which we have followed, unfortunately, beginning in 1953, and that succeeding administrations have failed to live up to the promise of the 1946 Employment Act.

Now, that Act was so vague and so general in its character that succeeding administrations have been able to violate the law with impunity. For that reason, we introduced H.R. 50 on the House side and S. 50 on the Senate side. S. 50 is obviously not perfect. We welcome recommendations and suggestions. There are certain parts of the Act which we must now strengthen. There are three specific things that we must do if we really believe in full employment and if we really want to do a job of changing discredited economic policies in getting back to the concept and the practice of full employment. First we must better define what we mean by "full employment." We must do that so that there is no misunderstanding whether or not Arthur Burns, when he speaks of full employment, is speaking of the same type of full employment which we are talking about or which the country is talking about. That need is addressed in H.R. 50 and S. 50.

Secondly, we must mandate at this time that public officials

do what the law intended for them to do. We must not allow them to be unaccountable for official acts. When we say that the objective is full production and is full employment, the occupant of the White House and those officials in the Congress responsible for the effectuation of policy must be held accountable. We must mandate certain actions within certain periods of time so we can judge them.

Thirdly, we must provide some type of remedies for those who are the victims of bad policies. It is incredible that today we talk in terms of full employment as a vague phrase. We must somehow provide for those individuals who are willing to work, who are able to work, who are told that the work ethic is a part of this nation. But what happens when you don't get work? They are told that the work ethic is a part of our culture, yet we expect people to take care of themselves so that we don't end up with them on welfare, with people who "cop out" by drawing unemployment insurance and eventually getting to the end of the line. We must give them the opportunity for a job. We have got to provide opportunities for our people.

What about the cost? We recognize that the expenditure of \$287 billion last fiscal year represents the cost of present policy. We recognize that the present cost of unemployment and the cost of welfare are certainly greater than the cost of putting people to work in productive jobs.

As to the political feasibility, it is clear that we have grave difficulty throughout the country. We have discussed this matter with chambers of commerce, business groups, and with labor groups. There has been, unfortunately, some degree of reluctance. I think that we are now in a position where we can say that the leadership--at least on the House side, and I would hope similarly on the Senate side--is determined to move ahead, and that before May of this year we hope to pass a bill, and we expect it to be a good one. Last Friday the AFL-CIO indicated, in a very strong policy statement, that they will throw their support behind specific legislation pending in the Congress. I believe we can have a bill that is not only necessary but one that is politically feasible. We should, first of all, determine what goals are morally right and desirable. Let us begin with the needs of our society, and then determine what they are going to cost. When we approach the problem from the viewpoint of what is morally and socially desirable, and what even under our Constitution is legislatively mandated, we can then enter into a discussion with those who call themselves economists and those who think they are economists as to what are the costs. Let us let them set about the business of developing an economy that can bring about those things that we deem to be desirable.

We should approach the problem, then, not from the viewpoint of whether we can afford something, but from what are our needs.

We didn't approach World War II that way. We certainly haven't approached other crises that way. We approached it from the viewpoint of what is necessary to be done as a civilized people. Then it seems to me that we can set about the job of making it economically sound.

CONYERS: Many people do not support the concept of full employment for many different reasons. First, this is a political question. That means there are some Congressmen who are supposed to be supporting this bill who would cut off their right arm rather than vote for it if the vote came up 30 minutes from now.

Secondly, I am embarrassed to say that the labor movement of which I am a product has still obviously to come up behind this legislation. We are hoping this will be resolved by whatever compromises are necessary.

We are not talking about big business fighting this idea. We are talking about other working people. We are talking about people who represent working people.

We are talking about an intransigent administration that is determined that this shall not come about. This translates fundamentally into a political question. 1976 is a political year.

There is no reason that I can fathom why full employment should not be the critical issue by which we test the Presidential aspirants. There is no logic that I can deduce why this should not be the main concern of the Democratic Party. There is no reason why we can't win with this issue.

To me, the importance of this meeting today is that you all help in terms of not only your intellectual contributions on this subject but your political ones as well. The problem remains that there are many people, most of those who are not working and are poor, who have given up on Conyers, Keyserling and everybody else in this room because they do not believe any of it is going to amount to a hill of beans.

These are the people who are not even participating in the political process because they have heard political gas for years from their friends.

To make full employment meaningful, it has to be translated into an affirmative political issue. This has to be translated into a movement even beyond a political issue. This is every bit as important as the Civil Rights Movement. As a matter of fact, it is a logical extension of that movement. It is every bit as important as the anti-war protests that drove one President from office and was the basis of nearly impeaching another. It is

every bit as important as the struggle of the labor movement that ran a course of 100 years in this country.

All of those great movements are combined presently into this bill, into this long overdue question. It can be resolved in a piece of legislation, H. R. 50.

WIRTZ: We meet here as a group of private citizens who are much complimented by an invitation from many Congressmen to come here and counsel them. We will take account of two considerations: one is the gravity of the unemployment situation in this country today, which is at the highest point in 35 years. Of equal concern is the fact that democracy's critical currency, namely, its dialogue, has been greatly depreciated and its essential capital, which is confidence, has been greatly depleted. We are going to be very Spartan here in what we say and in the way we say it. We realize that hyperbole and rhetoric are a glut on the market today.

We face another problem. We have a list of questions which we could in an academic, scholarly fashion follow on down the line and we could spend half our day trying to stick to the agenda. I have an alternative suggestion. Again in the sense of disciplining this meeting, it would seem to me to be helpful if we would go through this list of questions and accept the guiding principle that there is no point in saying anything here except insofar as

it can be translated into responsible action of one kind or another. I would think it advisable if we all try to think in terms of one or two or possibly three things which we could responsibly suggest be done if we were in a position to cast a vote of significance on that matter. When I was in a position of authority, I didn't know any of the answers. Now that neither authority nor responsibility any longer exists, those answers come very easily to me. If we can recognize that problem and try to put our thinking into the framework of the question, "Who does what next?" we will move along more profitably than otherwise.

In general, therefore, we will be following the agenda which has been suggested to us, but we will be trying to approach it always in consideration of the question of what ought to be done next.

I will attempt at the end of this morning's session and then at the end of the afternoon's session to summarize what it seems to me we have covered in the sessions. A record will be kept of this Conference. A transcript edited and made available to the participants and to others interested will be prepared by the Council for National Policy Planning.

One other preliminary suggestion: let's not waste time arguing about what we mean by "full employment." Perhaps there is an

argument about what it ought to be, but let's not get hung up by the word. In some of the material I have here there is a reference, which is good enough for me--and this will be the most autocratic thing the Chair does today, as far as I'm concerned--that full employment means about 3 percent unemployment, as long as you accept the present measurement of it, which I have trouble accepting. But that is about what it means. Our discussion will be clarified if we make it clear that we are talking about what full employment means to a labor person instead of to an economist.

"A FULL-EMPLOYMENT POLICY:
AN EXAMINATION OF ITS IMPLICATIONS"

- I. The Goal of Full Employment
- II. Costs and Benefits
- III. Guaranteeing Jobs
- IV. Comments and News Items from the National Press

I. THE GOAL OF FULL EMPLOYMENT

MADDEN: For thirty years, the Employment Act of 1946 has been the cornerstone of national economic and social policy. The Act assigns the Federal government responsibility for creating and maintaining the conditions under which people able, willing, and seeking to work can find useful employment, and it decrees that the Federal government should use "all its plans, functions and resources" to fulfill this responsibility.

Although the term "full employment" was deliberately deleted from the Act, the Employment Act in fact left "full" or "high employment" undefined. The primary goal of national economic policy was this undefined employment in the post-war United States.

The Act was intended to limit government intervention in the economy in the name of full employment. The Employment Act does not specify the means by which the Federal government will create and maintain the conditions of high employment. It does not and indeed was not intended to give the government carte blanche. The term "full employment" was deleted from the Act precisely because it seems to open the door to goal setting by the Federal government. Significantly, the Act obligates the government not to help those who are able and willing, but to those who are able and willing and seeking to work--thus limiting the government's

area of discretion to decide who shall be counted in the labor force and who, if not working, shall be counted as unemployed.

To be considered "unemployed" and hence the object of the government's concern under the Employment Act, the person must have tested the job market by actively seeking work. The government is precluded from defining certain people or categories of people as members of the labor force on the basis of their demographic characteristics or untested statements that they want to have a job or they want to work.

There are other less explicit limits. The Employment Act specifies "useful employment." Apparently, government creation of makeshift jobs for which there is no evidence of demand is not included. The Act states that the Federal government will carry out its responsibilities in ways consistent with "other essential considerations of national policy." It is generally agreed that some modicum of price stability is one consideration.

The Act directs the government to exercise its responsibilities in ways that "foster and promote free competitive enterprise and general welfare."

Such provisions may be vague and open to wide interpretations. However, they were intended to limit the extent to which the Federal

government in pursuit of full employment may intervene in the market economy or replace private-sector economic activity.

This is a summary of my answers to the questions in the first portion of the agenda. I would like to make one further comment. It is my personal view that we need a new approach to the whole question of unemployment as it relates to income-transfer and welfare programs. I think that the work of the Subcommittee on Fiscal Policy--which is led by Mrs. Martha Griffiths--is important. They are going to prepare a report called "Income Security for Americans: Recommendations of the Public Welfare Study." That is probably the most authoritative, meaningful and useful document that the Congress and Joint Economic Committee could examine in dealing with the question of the appropriate relationship between welfare and income-transfer programs on the one hand and the issue of full employment on the other.

VIETORISZ: I would like to refer to a prior Congressional Conference which took place in May on a very closely related topic, namely, Long-Term Economic Planning in a Free Society. The themes to be discussed here to some extent overlap those talked about at the prior Conference. The most important characteristic of that Conference was that the principal disagreements were not about answers to well-stated questions but rather about the proper questions to ask.

I think that there will be substantial disagreement here also about what questions we should ask. Congress can easily handle problems where they are well stated and where there are discussion and compromise about the possible answers, but Congress usually falters when there is a major difference about questions. These Congressional Conferences can make a tremendous contribution by clarifying questions.

There has been cross cutting between two kinds of conflicts regarding questions. The first conflict was between those who viewed the current crisis as an entirely short-term matter--in fact, one of the participants said that it was just normal for things to swing up and down and if we happen to be in a downswing, there is absolutely nothing unusual about it--and those who viewed the current crisis as a result of a long-term drift with regard to serious problems.

There was also an independent, second conflict, which I suggest was deeper. On one side of this conflict were people who defined the problem of long-term drift primarily in terms of social control, and the kinds of topics included here were lagging productivity, loss of control over technology, loss of control over social institutions and especially over allocation of social claims.

A very important topic here was the inability to mobilize


sufficient investment resources.

There were also concerns raised over delegitimation of the traditional social order. In sum, coordination and control were the leading issues on this side of the conflict.

On the other side of the conflict were the people who felt that the main issue with regard to long-term drift was the issue of social justice. The main theme stressed there concerned employment opportunities. Another theme was job conditions involving stability, intensity of work, accident and health problems, and dehumanization of workers on the job. Still other themes were poverty, including its urban manifestations; degradation of the environment for the benefit of the few; production priorities which served private interests rather than social needs; and a genuine deterioration of the quality of life.

I would suggest that the whole problem of full employment looks drastically different depending on whether you view it as a short-term or a long-term problem. It also looks different insofar as how you look at it--from the point of view of social control or the point of view of social justice.

I suggest three key questions where there will be disagreement as to how the questions are posed and how we ought to approach



full employment. First, to my mind full employment is a sham unless jobs are provided at living wages. In other words, full employment at substandard wages can become a device for beating unwilling workers into jobs that are not giving them the means for family support. There are millions of people today earning less than the Federal minimum wage. There are an enormous number of people who are earning less than the Bureau of Labor Statistics' lower-level family budget. The whole issue of a living wage in connection with full employment is going to be controversial even in terms of framing the question.

The second is the issue of subemployment, which Mr. Wirtz was the first to define and measure. My best estimate is that approximately one-third of all the manhours in the United States are being wasted as a result of unemployment and subemployment.

The third issue, which I'm sure will be controversial in the matter of asking the kind of questions we want to debate today, is the whole issue of enforcement. In the previous Congressional Conference, Senator Culver made the statement that it is easy for Congress to pass resolutions in favor of desirable objectives, but it is very much more difficult to get the kind of legislation that really enforces noble sentiments. I believe that in terms of enforcing full employment we are facing a very deep political issue. I believe we have to ask: Is the United States' public

willing to make full employment the first priority at the expense, for example, of large business interests, or is it a second priority which will be pursued to the extent that it will not conflict with more basic priorities having to do with the present structure of production and the present social order?

WIRTZ: In trying to develop a checklist of those things that we can perhaps put together in a summary of our discussion, let me ask this. Do I appropriately understand that you are suggesting a strong feeling on your part that there should be a larger planning element in the development of full-employment policy in this country?

VIETORISZ: Yes, I believe there must be.

WIRTZ: And I understand you secondly to make the point that the full employment can only be considered in connection with full employment at a living wage and your next point is related to that--namely, that subemployment at a less-than-living wage should not be acceptable?

VIETORISZ: Yes.

BERGMANN: When unemployment is high, we get a lot of excuses for the situation. I remember back in the 1960's, Appalachia was an

excuse, lack of training was another, and so on. Now women's presence in the labor force is part of the excuse. Unemployment is now so high that most people would have to agree that the crux of the unemployment problem is a lack of aggregate demand; that is, we do not have the demand for the goods and services which in turn would give us a sufficient demand for the labor of those people who want to work.

The means of increasing aggregate demand are very well known. The problem, as I see it, is that we not only have a desire for more employment, we also have a fear of inflation. There is also a new element which has been added by the problems of New York City -- an increased fear of debt and thus an increased fear of deficits. It is all very well for Senator Humphrey to look back, as he did, and say that we have had periods of less unemployment and less inflation. We all know that is true. But nevertheless, there is very real fear that if we took measures to increase aggregate demand -- whether through lowering taxes or raising government expenditures or public-service employment or what have you -- we would be encouraging inflation. To look back to some golden age when we had low unemployment and low inflation is not enough. We don't know how to get from here to there. That has to be admitted.

These fears of inflation and of associated increases of

debt and default are real factors in the situation. If we are going to make progress, we have to find means to lower unemployment while alleviating those fears. Therefore, the measures that we consider have to include things such as wage and price control, which of course have their penalties. We have to weigh the penalties of wage and price controls and all their attendant inefficiencies and increased bureaucracies, against the penalties we are suffering in terms of unemployment. In this connection, I'm very glad it was brought out here that unemployment is not only an economic problem but it is also a psychological and sociological problem.

So it seems to me that wage and price controls have to be part of our options. Secondly we may want to consider changes in fiscal policy through balanced moves in the budget. I don't mean balanced budgets, but I mean that if we want to spend more, we should consider the possibility of increasing taxes to some degree at the same time. President Ford has suggested both a \$28 billion tax decrease and a \$28 billion expenditure decrease. That is precisely the wrong medicine. If you are going to have a balanced move, we need precisely the opposite, because the \$28 billion tax decrease compensated by a \$28 billion expenditure cut will reduce aggregate demand.

We need to consider moves which raise aggregate demand and which will also reassure people that we are not going to start inflation raging again and that we are not going to let the deficit get out of hand. I ordinarily would not recommend a tax increase as part of a package for remedying unemployment, but I think that we may be in a situation today where we have to consider that kind of thing.

WIRTZ: May I put the question for consideration as we go along of whether it is the feeling of the economists here that there can be a balance between increasing aggregate demand in one way or another, which will get us to the level of whatever we want to take as a full-employment basis. Is that what you are saying? I take it that it is implicit in your suggestion that we can do these things and it is your view that it will depend on and demand the institution of wage and price controls? And may I interrupt again to ask, when you say "wage and price control" do you limit it to those two or broader controls such as interest-rate controls and all the other things?

BERGMANN: Well, I don't think this is the place to get down to details of that sort. What I am saying is that I am willing to trade off and accept some of the problems of controls in exchange for a better unemployment picture, if that is necessary.

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WIRTZ: Then we can just say "controls"?

BERGMANN: Controls of some kind.

WIRTZ: So your point is that we must move on an aggregate-demand basis, and we must move to broad fiscal policy in order to increase aggregate demand. We can do that and obtain the goal that we have in mind if we are willing to pay the price that controls involve, correct? Your point also is that if we are willing to go on to a fiscal policy which does mean that if we are going to spend more, we are going to tax more, then we can beat the unemployment situation?

BERGMANN: Right, This is not necessarily the best policy in terms of alleviating unemployment, but it is a policy that will reassure people.

HARRISON: I think Barry Bluestone and I would agree that under the existing industrial system a full-employment program -- a program to expand demand both aggregately and selectively in order to increase the demands for labor -- would be very inflationary. I think it is dangerous, as Barbara stated. I think we would agree with that very strongly. Now I suggest we need a different industrial system.

It is not very useful to try to fight that battle at the level of more or less aggregate demand, in other words.

I think where we disagree--or disagree at least perhaps with regard to some of the things that have been suggested--is in the feeling that with aggregate unemployment now over 8 percent and with it apparently going to be for a long period of time much higher than it has been (and it is certainly higher than in the 60s), somehow the problem has switched back from industrial unemployment to an aggregate-demand problem. Now we are as interested as ever in the structural aspects of unemployment, particularly when one gets away from the official measure of unemployment and talks about subaggregate employment. So these remarks are really addressed to new legislative approaches and to thinking about what an economic-development planning program to change the industrial system might look like. I would like to comment on that in the three and one-half minutes I have.

Now in order to target newly created jobs to the places and people who need them most, which we take to be the real and the proper objective of our manpower planning, it is necessary to create enterprises and projects that use labor along with capital to produce goods and services. The supply of capital available for building such enterprises, for expanding the productive capacity of the economy in particular places, needs to be increased.

Eliminating the tax incentives on foreign investment, that is, elements of the Bank Holding Act of 1969, eliminating the DISC program, and so forth, seriously repealing many unproductive national and state business-tax incentives, and similar policies would be needed.

Tax policy tends to be far too separated from the concerns of the committees and experts who work on manpower.

Next, we need more savings.

Next, we need mechanisms for reallocating more of the capital that is available from the overdeveloped parts of the private sector to the public sector for reallocation to the undeveloped sectors or underdeveloped sectors of the economy. That is what we take it that economic planning is really all about. This would be used to finance the high-priority budget areas and as a fund for "fueling" those local jobs' councils, which are the heart of the delivery system and of the Equal Opportunity and Full Employment bill.

AFL-CIO's Secretary-Treasurer Lane Kirkland has proposed a national economic development bank which would be funded mainly by the requirement that all private banks--as a condition of retaining, or getting, Federal charters--subscribe to the develop-

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ment bank. This is a concrete, nitty-gritty proposal for reallocating capital from the private to the public sector. Kirkland lists new enterprise development, emergency aid to ailing businesses and the guarantee of state and municipal bonds as top priorities for the national development bank. Other people, including our Congressman Michael Harrington, are currently working on similar models, are developing similar regional bills at the moment, and there are a number of other places that will soon be doing likewise.

If the private sector chronically underinvests in those parts of the economy where it disdains to make a "competitive profit"--or chooses to disinvest in an activity, or region, because there is more money to be made elsewhere, say, in Taiwan--then useful jobs are not being created and are actually being destroyed at home. The remedy is, in our opinion, a great increase in enterprise development funded by the Federal government, whether publicly owned, as in the case of municipal or county electric utilities, or organized as neighborhood-based cooperatives, or simply locally controlled private businesses, wherever they are needed.

One important potential "side effect" of a publicly financed but deliberately decentralized program to expand the number of enterprises in the American economy is the brake this might place on the power of "oligopolist" firms to use their market power to

raise, or otherwise maintain, high prices. We strongly believe that monopoly cannot be defeated by antitrust laws. It must be confronted directly, in the market place, by competition. That is indeed the mechanism many other capitalistic countries have tried to use to deal with some aspects of inflation. Thus, for example, Illinois Senator Adlai Stevenson's proposed Public Oil Corporation would directly compete with Exxon, therefore helping to reveal to the public the true cost of "mining" and processing petroleum.

We believe all the existing and contemplated bills that talk about economic planning or talk about economic planning to achieve full employment seem to us to be terribly naive in their politics.

I want to make one closing point. True planning and development require the ability to boost certain industries and interests at the expense of others. That is what you mean by "making priorities." If we make a commitment to mass transit--say, as a part of a local regional or national development scheme--this necessarily means expanding parts of the transportation system at the expense of other parts. There is no escaping this conclusion: namely, public planning requires actions that will unquestionably affect some private corporations by reallocating capital from those sectors whose outputs Congress believes to be excessive to those whose outputs it believes to be underdeveloped. In sum, we believe

that the creation of "full employment" requires a conscious attempt at economic development and the creation of new institutions for doing it. Those institutions are already contemplated in H.R. 50, particularly the notion of local councils that will design and develop new enterprises with capital and the power to create those new enterprises. And none of the existing legislation addresses that essential crux. Talking about expanding or contracting the budget is really talking about redistributing a certain amount of resources from one place to another. It really isn't talking about capital investment at all.

We suggest the need for increased savings, reallocation of capital from the private to the public sector, and encouragement of widespread development of new public and private but locally owned enterprises through the creation of development banks; and we suggest that these would be the main elements of the sort of program that would, as one of its consequences, increase the demand for labor.

WIRTZ: Thank you. We will add those to our list also. Let me try to paraphrase what you have said and, if I'm wrong, please correct me.

We should add to our list of suggested proposals enlarged enterprise development, preferably private, but to be supplemented

or complemented by public investment if that is necessary, and with a strong emphasis on its being done regionally. Correct?

HARRISON: The only word I would quarrel with is "preferably." I think realistically it would be substantially private.

WIRTZ: All right, you would put emphasis on private-enterprise development. Should we keep in mind the possible necessity of moving to public supplementation if necessary?

HARRISON: The only thing I would add is there is a great deal of interest by a number of people these days in trying to study the extent to which public enterprise--apart from filling investment gaps that aren't being filled--as something to contribute to an anti-inflation program. Now I think that is important too.

WIRTZ: But it is important to emphasize that you are thinking in terms of planned and direct investment and that you are emphasizing the local elements, correct?

HARRISON: Yes.

WERNICK: It seems to me we all know one of the major forces for full-employment policy is the Federal government, which has given priority to stopping inflation and seems to be quite willing to

keep this economy sluggish for a number of years with high unemployment to be sure that we solve the inflation problem. Now I don't see how we can really take action which is meaningful in terms of solving the unemployment problem until we have first discussed what can be done to change the present thinking of the Federal government. We have a problem of monetary policy right now. Our monetary policy is really a restrictive policy. It is also a policy that can be used; if you do try to increase aggregate demand through fiscal policy, as I say, it can be used to offset such policy. This was done in July of last year, for example, when the Federal Reserve lifted short-term interest rates just after a tax cut was put into effect. Now the result of that would seem to be that the economy slowed down appreciably from the kind of momentum that was given to it by the tax cut. So we do face a real problem, it seems to me, in relationship to the current administration's programs and the current administration's goals and priorities.

WIRTZ: Would you try to include in your suggestions, as a basis for further discussion, this question of independence of the Federal Reserve Board? Is it part of your suggestion that the Federal Reserve Board should, as a practical matter, be changed--that the status of the Board should be changed?

WERNICK: Well, that is part of the problem. I think in the short

run the real problem is to have the Federal Reserve Board--when it states its goals for growth of the money supply over a period of time--also to have it present to the Congress its goals in terms of employment and employment growth and prices and real growth in the economy. They should do that so we know what the money-supply growth means in terms of the goals we want to establish for the economy so that we can know whether it is consistent with Congressional goals or whether it is inconsistent.

II. COSTS AND BENEFITS

SULLIVAN: I am not an alarmist, but I think that it is well that the Americans should realize that new seeds of insurrection are being sown in the cities of America, in the ghettos and to some extent in what we would call the economic barriers between economic groups. It is because of the pervasive poverty and persistent racial and economic deprivation and discrimination that I say this. I don't want to see America racked by confusions and disorders in the streets of this country again. In the next four years I feel if we don't deal significantly with this problem of unemployment and move towards a policy of full employment, we are going to see insurrections in the cities of this country that are going to make the riots of a few years ago look like little church meetings.

Now our inner cities look like bombed-out communities and bombed-out cities. In my involvement with the OIC and with the churches in our communities, I frequently visit the inner communities. Every day more persons are joining the idle and the unemployed and this includes veterans of Vietnam and Korea. They are joining the ranks of drug abuse and alcoholism. Harlems are being created in every large community in this country.

In some areas we talk about 10 percent unemployment and in

some of our communities it is as high as 30 percent and with youth it is as high as 40 percent. Now we believe that America has a lopsided policy. We are helping the poor of the world and neglecting the poor of America. We believe that the committed goal of this country for both the President and Congress must be a policy of full employment and to commit the resources to meet that goal. We don't believe that it can be handled by the government alone or by any one government agency alone. Because in our cities, which are the seat of the legislation and where the legislation has been guided, we all know that much of it is being used to fatten patronage pockets, and so funds that were allocated to assist the poor and train the poor are being used at the expense of the poor.

We believe, therefore, that community-based organizations must be utilized to the fullest extent possible in this country to work with the government and the private sector in dealing with the problem.

We think there are two ways this must be emphasized. One is by job creation in the area of services. I'm talking in terms of what I am calling micro-communities where we would enumerate the needs and have a significant and pragmatic program to move us towards the rehabilitation of our communities.

Let me say that in both the public and private sectors, special emphasis on rebuilding and rehabilitating the blighted areas of our inner cities, as stated in the Urban Commission Manpower Report--though I am not satisfied with much of what went into that report and their deliberations, and I say that as a member of those deliberations--is a prime necessity. Also what is needed is training for jobs that do now exist. As we know, one-half of the jobs that exist now won't exist 20 years from today.

Let me tell you about something we have done. We took 200 cities where we had OICs and on a particular Sunday we looked at the want ads. In those want ads on that particular Sunday, we came up with one-half million jobs representing only one out of four available in a community at that time. There are hundreds of thousands of jobs available. There are jobs in the health-service area, jobs in the medical-services area, and so forth. We do need job creation on a realistic basis in our communities. On the other hand, we also must have job training, otherwise we will be building a whole new population of welfare recipients in 20 years from now. But the two must go hand in hand. Our community-based units must work with government in these efforts.

DENNIS: BRAC's (Brotherhood of Rail and Airline Clerks) own response to the problem of employment has been to train disadvantaged people for clerical employment, particularly in the transportation industry, and then to assist these people in getting and retaining jobs. The Union has been able to accomplish this by contracting with the Federal government through the Job Corps and WIN programs and also, this year, with local governments who are prime sponsors under the federally funded CETA program (Comprehensive Employment and Training Act of 1973).

In 1971, BRAC opened its first centers in conjunction with Job Corps centers in Chicago and Los Angeles. Currently, BRAC operates eight centers in the following locations: Charleston, West Virginia; Cleveland, Ohio; Kansas City, Missouri; Los Angeles, California; Minneapolis, Minnesota; San Francisco, California; St. Louis, Missouri; and Tulsa, Oklahoma.

As of 31 October 1975, 352 students were currently in training and a total of 2,284 had received some degree of training since the program opened in 1971.

Students receive classroom instruction in business English and math, typing, keypunch, railroading and unionism. Trainees regularly use railroad forms, manuals and terminology. Regular railroad employees are periodically used on a consultant basis to

give intensive, specific instruction; and trainees take field trips to railroad yards and offices.

Also, beginning in October, BRAC began training women for jobs in the railroad industry which traditionally have not been considered appropriate for females. These women receive training intended to assist them in preparing to apply for apprenticeship openings and entry-level laboring positions. The instruction includes knowledge and use of tools, appropriate math and English, railroad procedures and safety rules.

After training disadvantaged students, BRAC makes an intensive effort to locate job openings for them. So far, 41 transportation employers have participated in the BRAC program. In addition, because of the slowdown in employment during the past year, relationships have been established with several employers outside the transportation industry in order to increase the number of potential openings.

Over 40% of the trainees have remained in the program long enough to acquire skills which qualified them for placement. Virtually all of the students who acquired these skills were placed. Specifically, as of 31 October 1975, 765 trainees had been placed, 375 of these in the transportation industry itself.

In addition to meeting the government's criteria as "disadvantaged," 77% of these placed trainees have been of minority races and 85% female.

A study of the contract year, 16 February 1974 through 15 February 1975, indicated that trainees placed in the transportation industry started at an average rate of \$38.54 per day; those placed outside the industry started at an average rate of \$22.76 per day. Currently, the starting wage in the railroad industry itself is \$45 - \$50 per day.

The BRAC program is operated on an open-entry/open-exit basis. That is, trainees enter as openings occur and leave when they have acquired skills sufficient to qualify for an available job. During the 1974-75 contract year, trainees who were placed had been in the program an average of 23.7 weeks, or about 5-1/2 months.

In addition to training and placement, BRAC stresses job retention after placement. More than 80% of BRAC's trainees who have been placed in the transportation industry are still on the job six months after being placed. This is particularly significant when compared with available industry statistics. In the railroad industry, for example, only about 50% of all new employees are still on the job after two months.

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BARRETT: We have been hearing a lot of long-range ideas about what to do with unemployment. I would like to get back to an issue that was raised by Professor Bergman at the very outset of this discussion which really has to do with more short-range considerations. I don't think if you just look at the course of economic activity over the past year and a half that anyone sitting in this room could say that all of the unemployment you are experiencing now is structural. Some of it has to be a result of the recession. Assuming most people would agree with that, let me talk a little about the recession and unemployment.

Professor Bergman also talked about excuses that we made for unemployment and she named a couple of them. One had to do with the demographic characteristics in the labor force and another with Appalachia and lack of training. I submit that the two most widely used excuses for unemployment today are inflation and deficits, which are things that Professor Bergman argued we had to trade off against high unemployment.

I am not sure that from an economic point of view there is any economic basis for inflation other than higher fuel prices. But that is not the kind of inflation that is really bothering people when they talk about returning to full employment through some sort of monetary and fiscal policy.

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We all know that the reason we are having huge deficits is because we have had high unemployment, so I will leave that aside and talk for a moment just about inflation. We have 8.5 or 8.3 percent of our labor force unemployed. We have very low rates of capacity utilization in industry. There isn't any indication that I know of that industries are experiencing severe capacity bottleneck right now, but we may in fact experience inflation if people listen to Mr. Greenspan and Mr. Simon about inflationary expectations. Firms do seem to be raising prices now more than what one would expect, given market supply and demand conditions. This information I get from the President's Council on Wage and Price Stability. They have really been unable to determine the economic basis for some of the recent steel-price increases. Maybe it is that firms are anticipating price controls.

But if in fact there is no real economic basis for inflation when we are experiencing very high rates of unemployment and low rates of capacity utilization, then I think Professor Bergman is right in saying that wage and price controls might be effective.

My main point is that to use inflation as an excuse for an unacceptably high rate of unemployment in this country is very much akin to using Appalachia as an excuse. Until someone can really show that there is an underlying economic basis for inflation, as opposed to some psychological basis for inflation, then I

think that this is somehow a straw man or red herring. One thing I have to disagree with, however, as to Professor Bergman's presentation was her suggestion that in order to get a balanced budget a tax increase is necessary as well as an increase in government spending. I disagree with that because I think that there is one concern that people have right now other than inflation and deficits, and that is the concern over the growing public sector. Whether right or wrong, I think there is wide-ranging opinion in this country on all sides of the political spectrum that the government is somehow too big. Maybe this is a legacy left from Watergate. It seems to me that the idea of a matched tax cut and expenditure cut is probably very unwise, given the state of the economy. I would go in the direction of a much larger tax cut without offsetting cuts in expenditure rather than trying to talk about a tax increase.

WIRTZ: In terms of what should we do next, Dr. Barrett, is your last suggestion one we should add to our list; that is, a tax cut?

BARRETT: I am saying that a tax increase would be very unwise but that people in this country are concerned about high taxes. Certainly a nonextension of the Tax Reduction Act of 1975 would be terribly unwise in terms of the impact on the economy. I'm saying that if in fact it is decided that the economy could use more macro-economic fiscal stimulus, if it is decided that inflation

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is some sort of an ogre that is really more and more apparent than real, then I would say that a tax cut that stimulates the economy would probably be more acceptable than a tax increase coupled with larger government spending.

GILLIGAN: While economists and others talk about the impact upon our economy and upon social problems such as unemployment, while they talk about the impact of spending and taxing policies of the Federal government, they seem to ignore the fact that taxing and spending policies of state and local governments, taken in the aggregate, are almost the equal of the Federal government. It seems strange to me that people who define these policies and set these goals and formulate solutions to problems in Washington fail to understand that what happens at the Federal level must be coupled with an understanding of what is going on at the state and local levels. State and local governments quite often are unable to help themselves and are forced into policies that directly contradict and offset Federal policies.

For instance, the Congress votes a tax decrease in an effort to increase spending in the private sector and increase demand and so forth, but the shortfall in state and local government tax revenues due to the recession--revenues which in many cases already had been budgeted for just a year or two in advance--runs anywhere from \$8 billion to \$12 billion. We therefore have

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Governor Carey and others proposing tax increases all over the country to try to make up for that shortfall on revenues, thus effectively cancelling out some of the impact of the Federal government tax cut. Beyond that, we have local governments and state governments laying off public employees by the thousands and cancelling public-works projects of every size, shape and description imaginable. You would begin to believe after a while that we have two governments running this country and they are somehow engaged--if not in outright war--in a tug of war at least. It seems to me that in our future deliberations about the formulation of governmental policy, especially as it impacts upon the economy, that you have to spend a lot more time talking about how in a cooperative fashion the Federal, state, and local governments can work together.

I dare say that if you ask the governors and the mayors of this country how many people they can put to work in the next few months, if they had the funds available, you could have the fastest cut into the unemployment rolls available to you of any other devices to be used anywhere in the country. Just give them the money and they will put people to work. There is so much work to be done that you could put every man, woman and child at it for years to come and you would still never get it all done. The point is that up to now we haven't wanted to spend the money necessary to get the work done by putting people to work.

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WIRTZ: Have we got the money?

GILLIGAN: Yes, we could certainly get it. I would go back to what Dr. Bergman said: We are talking about trying to create employment and one way to do it is to cut taxes and hopefully create demand. Now that demand may send stock prices up and may go under mattresses and a lot of other places. You could do that or you could spend money to put people to work and get them on payrolls and make them taxpayers. We would have available the revenue devices necessary to put people to work in the public sector very rapidly if we decide we want to do it.

WIRTZ: Is this in effect an expansion of CETA (Comprehensive Employment Training Act of 1970)?

GILLIGAN: Well, it could be partly that. There are a whole range of devices available to us. I would say that among things that get in our way are some of the present regulations on the use of welfare money. That has interfered with both mayors and governors in dealing more directly with this problem than they have in the past. We need some more flexibility and some people in Congress to listen a little more carefully to mayors and governors when they talk on this subject.

ALPEROVITZ: I would like to give a sense of some of the suggestions presented to the Democratic National Issues Convention at Louisville a couple of weeks ago. Some of the arguments we made apply directly to what I sense is a division here, a broad division in this Conference.

The basic realization critical to the unemployment question is that there is a growing belief that traditional methods of dealing with these problems simply won't wash. On the other hand, we are entering what I would like to call a new economic era in which very different new structural proposals for restructuring the economy itself are being offered and are slowly gaining understanding and legitimacy. For instance, today we had a discussion of planning which amazingly has only been discussed once, and that is a central issue in my view and will become the key issue over time. I'm not just speaking of planning on jobs and unemployment and not just planning as to whether jobs can be targeted into specific localities but also as to planning on resource issues, which has only been touched on here. I think that simply boosting up the growth rate in the old theoretical fashion, without planning on resources, will just begin to gobble up resources that are no longer there.

Another issue deals with what Leon Sullivan talked about. He called it microtization or small-scale community-based economic

institutions. That tied in with what Mr. Harrison had to say, namely, restructuring to have local community control and semi-public, cooperative neighborhood development corporations. He also mentioned municipal-ownership schemes which give a much more direct public role at a small-scale level. That is a new structural direction which has got to be recognized in the coming evolution.

A third idea deals with something that was barely touched on. That is public enterprise. Thirty-five United States Senators sponsored the Stevenson-Magnusson bill for a public energy corporation. Such a subject, which is common throughout the world but has been neglected in this country, can now be talked about. Indeed, it must be talked about. Recent polls show that well over half the public favor public ownership and even nationalization of natural resources in this country. A majority of the people in the latest polls have that position. It is necessary to take the schemes seriously in terms of resources, in terms of the rail industry that should extend well beyond the Northeast Corridor, in terms of overall transportation policy, and alternately I think in terms of targeting jobs.

Let me give just a couple of illustrations of what I think is the new direction that has to be considered. In my view we are going into worse economic times and the questions of violence,

of political polarization, are very great dangers and are not going to be swept away as in some of the programs of the 60s, which some of us helped design. In that context, there is already solid evidence among the leading pollsters that the public will no longer accept simple political solutions and in fact demand bold innovation.

There is no longer a way of dealing with a city such as New York or many other cities without recognizing the absence--for at least two decades and certainly longer--of a serious regional development policy to stop the inflow of jobless into New York and to provide steady jobs for those people already there. That absence is the root of the problem of big-city unemployment.

New York lost 500,000 productive jobs in the last two decades. The estimate is that this loss represents \$1 billion and one-half the equivalent of tax revenues in New York or 15 percent of its budget. The estimate is that this loss added one billion dollars in welfare costs.

When you talk about New York, you may talk only about mismanagement, which undoubtedly is there; or you talk only about wages in the public sector, which is a part of all of this; but you overlook the mismanagement of the economy at the truly important level of our capacity to guarantee jobs in specific localities.

Thus you have missed the basic point.

My view is that the issue of using indeed all our tools-- including public enterprise as most European countries are doing, as the British are considering, as the Italians have done for a long period, and as the Swedes and French have done--to place and hold people in specific communities is at the root of many of the problems in our big cities. We can talk about food, land, and housing policy and allocation of capital to deal with stabilizing prices and housing. That gets us into land ownership of a public nature at the local and national level. That is common throughout Europe and was recommended by the American Institute of Architects and by people such as former Secretary Wood of HUD. Those innovations--which involve much more direct (but to a large degree local) control of economic issues that have not been at the heart of our discussions in the last decade--are ripening. We can perhaps discuss those today.

By way of summarizing, we continue to talk about refinements of tax policy, about expansions of CETA, and those programs are necessary; but over the coming period, as we fail--and I think we will continue to fail--I think then there will be a need to recognize the need for restructuring, for taking seriously a new direction to the economy itself rather than merely compiling a list of reforms that might or might not be useful additions to the reforms of the 1960s.

HILL: I believe at the conclusion of this morning's session it was indicated there seemed to have been some focus, greater focus on structural employment as a major factor. I did not quite get that from the deliberations of the other participants, but let me just say we completely disassociate ourselves from the assumption that the primary factor for the problem which this nation is facing is structural employment, if by that we mean the deficiencies of individual workers, whether black or white. Rather it points to the deficiencies of some external and unsensitive policies on the part of the government that are primarily responsible for the condition we face today.

In addition, we feel that this is not confined to the inner-city areas, but largely applies across this nation, which, frankly, is in some sort of a depression. There seems to be some kind of a reluctance to define it as a depression. The only depression we have ever had was in 1930, and everything else can be as severe and yet not be called a depression. In the inner-city areas it is definitely a depression.

We figure that it is not 1.5 millions blacks but that there are three million blacks out of work, taking into consideration hidden unemployment.

Also, with respect to white workers, it is about double the

official rates. During the depression we had 25 percent unemployment. We estimate 20 percent unemployment among blacks. This is certainly a depression by those past standards.

We think that you have to have more of an accurate measure of the definition of unemployment, to include people who are out of work who are unable to actively seek work; and there are many reasons for not actively seeking work. They have not found it or they can't afford to find work.

We often forget that it is expensive to look for work. You need carfare to travel from one place to another. You need a telephone. Money for making phone calls. There is expense involved in looking for work. If you are out of work, you have less likelihood of having that money.

We speak of unemployment insurance, but unemployment insurance only covers half of all those people who are unemployed. Half the workers, whether they are white or black, in this country are not eligible for unemployment insurance.

So, while you have to talk about meeting those needs, also, the assumption of unemployment insurance is that a person can live on half of what he made before, and if he can in fact do that, in the times of the highest rates of inflation, I think we are talking

about some miracle-workers.

In other words, these cushions we say exist are not adequate cushions.

Another point is that public employment is not going to those groups for whom it is supposed to be earmarked. What has happened is the local governments have had to use those slots for those government workers who have had to be laid off.

So, what we are finding is those who have been chronically unemployed are still chronically unemployed. So that again, when we speak of the kinds of job efforts we have, they are still not reaching those segments of the population that are greatest and hardest hit.

Another reason we are not hitting these areas is because there seems to be some reluctance to more accurately develop the measures of unemployment, whether official or unofficial, in local areas.

We do not have unemployment rates for local localities, and even though with the expansion of the current population survey many people ask questions in terms of its applicability to local governments, most people across the country do not have adequate

measured unemployment broken down by race.

It is interesting that right after the 1970 census we found in employment surveys conducted in poverty areas throughout this country that we could identify certain barriers to employment throughout this nation. These surveys should be repeated.

At the present time you cannot even get unemployment rates by race for those who are part of the census program for 1974.

Finally, when we get into the debate about inflation or unemployment--Which is the number-one problem?--we know what the number-one problem is. It is lack of jobs. No matter how much you might reduce the rate of inflation, if you don't have money you can't buy anything, regardless of how cheap it is.

So, what we see is the primary objective, a primary concern. Most people want to work. They want jobs and not to be on the public dole.

BUMPERS: I have been doing a little research in this area even though I am not on the Joint Economic Committee. I have done this to try to determine whether or not from some purely fiscal standpoints we aren't wasting money on unemployment-compensation benefits and on the welfare load that comes with unemployment, and so on. The Library of Congress has told us, for example, that for each 1 percent unemployment in this country we spend approximately \$2 billion annually.

We spend \$2 billion in unemployment-compensation benefits for both Federal and state benefits. In addition to that, we spend approximately \$2.6 billion in increased welfare payments, food stamps, and everything else that goes with unemployment. Also indicated are ripple effects, which involve the loss of income taxes, loss of social-security payments to the trust fund and loss in GNP. These additional losses represent roughly \$16 billion.

Last year I tried to eliminate from the tax bill the \$8 billion tax refund, which gave people in the maximum bracket a \$220 refund and in the minimum a \$100 refund. Our calculations indicated that the \$8 billion, were it spent in another way, would generate 125,000 to 150,000 jobs: you could have hired in public service 100,000 people at \$10,000 a year. So you would have generated not only a significant number of jobs but additional revenues back into the treasury in the form of income taxes and social

security payments as well.

My point is that 1 percent unemployment in this country represents roughly 950,000 people out of work. And if that is true, and if the loss to the United States in pure dollars in the form of benefit payments runs anywhere close to the figures the Library of Congress has indicated, then obviously it is costing us a great deal more to allow unemployment to continue than it would be to hire these people in, let us say, public-service work.

Senator Humphrey made a very interesting point about the \$8.4 billion reappropriated last week for the CONRAIL system. That was an \$8.4 billion appropriation made in a vacuum because it was not related to anything else in the country. It was not related to public-service work, for example, which could be utilized in the rehabilitation of the railbeds. It was not related to transportation problems in any part of the country other than the Northeast; and finally, I might say I voted against it not because I opposed CONRAIL but simply because we received the Committee reports about three hours before we were asked to vote on it. I just don't like to vote on anything I don't have any information about and that requires time to study.

It is unacceptable to have unemployment at the current levels. The economic policies of this nation are disastrous. Any time you

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have people who want to work and can't find it in a country as affluent as this, then the economic policies are seriously amiss.

WIRTZ: I suggest we make it a matter of our discussion here that we see what we can do with the arithmetic that has been suggested. We share with you the question of what the true cost figures are for unemployment. If we could find that out, if we could sharpen up the figures in a responsible way as to the present costs and losses from unemployment, we would have done the country a very good service. If I follow your arithmetic correctly, you have suggested that there is currently a cost bill of about \$40 billion a year by including \$2 billion for each 1 percent of unemployment; that is, \$2.6 billion in welfare, food stamps, and so forth. That would come out to about \$40 billion as the cost figure. You have also suggested a \$16 billion loss figure.

BUMPERS: That is for each 1 percent unemployment also.

WIRTZ: I multiply by 8 to give us just a starting point. I notice you were very careful in your statements, as indeed we all have to be. These figures are not clearly available as yet. If we could refine such figures, then we could responsibly say to the public of this country what unemployment is costing and what the losses are.

III. GUARANTEEING JOBS

OLESEN: I am a member of Folketing, which is our parliament in Denmark. Our country is now fighting the highest unemployment since the last world war. What I heard today suggests many parallels between your country and mine on the subject of unemployment.

WIRTZ: There has been a question from the audience that actually concerns the Swedish experience, but Denmark is close to Sweden. The question is: How valuable can comparisons be between the United States and Sweden--in this case Denmark--in terms of unemployment? The question points out the difference in the size of the two countries and what is involved therein. There is another question: could you elaborate on Sweden's performance--and, of course, Denmark's performance--of orienting all tax-reform policy toward the goal of keeping unemployment low?

OLESEN: The situation is different in the two countries. Denmark is the Scandinavian country with the highest percentage of unemployment. The latest figure was 12.2 percent, which compared with your way of stating unemployment figures would be 6 to 7 percent.

WIRTZ: . Twelve percent in Denmark equates with 6 percent here?

OLESEN: Right.

WIRTZ: Because you do not exclude certain people as part of the labor force when they are seeking jobs?

OLESEN: Yes, so Denmark is different from Sweden and the United States. While unemployment in the United States strikes its most severe blow among socially weak groups--not the least the poorly educated and those in big cities--it tends in Denmark to be more evenly distributed among individual groups. In the United States, great emphasis is placed upon avoiding increased inflation.

In my country we give highest priority to full employment, which is the goal which must be pursued with regard to inflation as well as to the balance of payments. We do that because our country has the highest per capita performance rate in the world.

We know that for each one-percent increase of the United States GNP, the effect will be only .1 percent in the biggest European countries where it is felt most. Consequently, the effect would be even smaller in a country such as Denmark. Now this says something essential about our prospects for 1976 and 1977 as well.

Among the problems shared mutually by the United States and Europe, I would like to mention the new generations of young people who will enter the labor market during the coming years, and

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the growing number of women who will join the labor force due to increased equality. Although the figures differ between countries, on the whole they will have the unfortunate effect of aggravating the unemployment problem.

Further, we must expect continued technological development, which will not only diminish the number of jobs but also increasingly threaten the educated groups who have traditionally been the most secure in terms of unemployment.

Thirdly, the obvious, immediate task before us is to accelerate the economic goal. In the long run we do, however, face a problem of resources which can only be seen in connection with the Third World's demand for increased industrialization and the population explosion in the world--which in itself could foreshadow any other problem.

Many thoughts on this subject here in the United States coincide with the debate in my country, particularly the conviction that our goal must be everyone's having a right to work. To achieve that goal requires certain conditions; I would like to mention briefly the most important.

For every country there must be planning based on the total available resources. This is very important and must be combined

with the necessary controls. Such a plan should not just be worked out by the political leadership but should also engage consumer groups and labor markets.

The distribution of the total number of jobs should encompass a gradual but considerable reduction of working hours. Better opportunities for early retirement should also be opened up without being mandatory.

In order to stimulate the necessary mobility on the labor market and to support socially weak groups, education should play a far greater role. Young people should not have to complete an education without being assured of either a job or further training.

We must, however, face the fact that an increased share of the labor force must be transferred to the service sector as well as the private sector. In Denmark a broad debate is currently going on in the governing party to which I belong, regarding a new program of principles. In the draft program we have pointed to the necessity of thinking less in terms of quantity and more in terms of quality. This to me appears to be a pressing requirement for any Western industrial society.

There are imminent tasks within the private sector. All countries have construction plans that could offer jobs and

resources and result in better services to the citizens. We need more kindergartens, for instance; we need more teachers in order to have smaller classes. There is a need for care and training of the handicapped. There are many opportunities to improve life in our cities; these are only a few examples of our needs.

Such suggestions obviously are not unrelated to economic problems. They require sufficient economic growth but by an amount which we realistically must expect in the long run to be much smaller than in the 1960s. Consequently, it will be necessary to create tools for improved distribution of the total production resources.

Finally, one could also weigh unemployment's expense to society--as well as the cash compensation and social consequences--against the cost of creating the necessary jobs.

Let me say in conclusion that the United States and Denmark, as well as other Western countries, are rich nations who need not necessarily accept unemployment. Unemployment is created by men; it is not a function of nature. Therefore, it is entirely up to political know-how to solve this problem.

WIRTZ: You mentioned the inevitability of a larger movement from what we call production jobs to service jobs. I would like to

inquire about that. Do you know the present distribution of production and service jobs in Denmark?

OLESEN: I don't have those percentages. I just know that in comparison with the United States a smaller proportion in Denmark is working in the service sector. The picture in the United States is two-thirds, yes?

WIRTZ: We may well be at two-thirds by 1980. You are probably about 50-50 now?

OLESEN: In Denmark the smaller amount--figuring it the same way--would be approximately one-half.

HENLE: In the third quarter of 1975, there were 7.8 million people reported as unemployed. If we were to get that group of unemployed down to below 5 percent, somewhere between four and a half and five percent, taken as a convenient target, you would have to find jobs for 3.3 million people.

Of those, close to two million would be men, 21 and over, about a million would be adult women, and about 500,000 would be teenagers. That would give you roughly something like 4.8 percent unemployment.

I put that forward to create some boundaries in terms of the discussion of the job that has to be done. You can't by government fiat suddenly create 3.3 million jobs for work to be undertaken by state, local or Federal administrations. You would not have the time to do it. You could not plan the work that has to be done in this short period of time.

There has to be a consideration of private industry, as well as public. In drawing up a program for job creation, I would like to call attention to the group of individuals I consider most in need of a job: the roughly three-quarters of a million unemployed heads of households who at the present time have been out of work for six months or longer. This might be the group to which a particular public policy should be aimed.

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GINSBURG: I would like to take issue with the statement made by Dr. Henle about the inability to create three million jobs in a short period of time. I would suggest from the historical experience in the 1930s that more than three million jobs were created within a few months' period under the CWA (Civil Works Administration) that reached into every single county in the United States.

At that time, the labor force was much smaller and jobs created represented a much larger proportion of the total working-age population. To assert that at the present time the country cannot do at least the equivalent, working with a much smaller proportion of the work force, is a political statement.

If the country had the will and the commitment, as Mr. Gilligan said, the work could be found. To what extent does the inability to create jobs reflect a social judgment?

In New York City, you have to look very far to find any major parks or public playgrounds or facilities that were created since the days of the WPA.

SPRING: With an unemployment rate of 20 or 25 percent of the work force, and with well over 10 million unemployed, Harry Hopkins created a million jobs in the winter of '33 and '34 for the total CWA program.

GINSBURG: I would add to Mr. Spring's analysis that the reason the CWA was under a cloud was not because it could not create jobs but precisely because the jobs were created and the jobs were at prevailing wages, which wasn't true of the later WPA. It was the actual success of the CWA program that brought political pressures on Roosevelt to drop this program.

WIRTZ: Can we come to better grips with this question? Are you talking about public employment and public contracts?

GINSBURG: I am just talking about the CWA, or government job creation. The assertion that we cannot have three million jobs within a short period of time didn't specify the time period. I would say we could do it through any number of programs, but I would strongly suggest the need exists for millions of government-created jobs irrespective of what happens in the private sector of the economy because the needs are there. Right now the services are being cut out in all the major cities. It is not because the need doesn't exist, but because as Governor Gilligan stated, the funds are not forthcoming.

WIRTZ: How much funds are we talking about?

GINSBURG: For three million government jobs--

WIRTZ: \$30 billion is your figure, isn't it?

GINSBURG: Yes, well, it is a question of funding and political will. On the questions of costs which have come up, I think there is a good deal of shortsightedness in considering only the immediate costs of unemployment. One has to assess the long-term costs of unemployment which stem from the social cause of unemployment. There has been mention here of the effect on unemployment of alcoholism. There certainly have been studies by Dr. Brenner of Johns Hopkins on increases in mortality. We know that there have been studies of mental illness, physical damage, family disintegration, and of other costs arising out of unemployment.

Now, some of these costs don't show up for a long time. One must recognize also that sometimes the precipitation of crises through unemployment can create costs which society cannot afford to pay. In other words, once a family disintegrates through lack of a job or through very bad job conditions, the welfare costs may be with us for ten or more years.

In measuring costs--aside from the fact there is a moral issue involved--I think people tend to neglect the long-term social cost and some of the things unemployment does to people that are not reversible and have long-term price tags that must be considered in the analysis of cost.

WIRTZ: Mr. Henle, do you have any further comment on this?

HENLE: I would be happy to be proved wrong on the 3.3 million jobs. In any case, the point I was trying to make is that whatever program we have, whatever size, whatever the scope, it seems to me its target, its initial target should be the employment of the group I mentioned: heads of households who have been out of work for a long period of time.

MCPHERSON: I would suggest we must achieve some kind of reduction in the unemployment rate moving to full employment defined at three percent with a guarantee of the right of anyone who wants to work to have the opportunity to work.

I think we do have a Federal System of government and that Federal System can respond. I think it has to respond. I speak as one charged with program administration, whether or not that program is originated in the U.S. Congress or wherever else it might come from, though most of them are in the Federal sector, the public sector.

I face possibilities of approximately 3,000 people walking from the public-employment program back to the unemployment lines-- as of June 30 of the coming year. These people are in jobs that have been created. These are public jobs. In terms of my one

jurisdiction, I think you can take the case of a ten-percent unemployment area and what we have been able to do with the public-jobs program in that area applied throughout the nation to get some idea. We will find that some 310,000 or 320,000 people will be facing unemployment as Title 6 funding expires next June 30.

Legislation is needed. The funding is still there, but it is expiring. We certainly need economic planning. We need national or Federal economic planning that includes fiscal, monetary incomes, manpower, employment, and whatever else may be needed.

I submit to you that we are not going to accomplish an economic plan or an economic system from that plan to solve the current unemployment problem. That is a long-range approach.

You are talking about basic institutional reform in the system, all aspects of the system. I will support that kind of effort if at the same time there is a parallel effort, and that is, what we do right now in the next year. The public-jobs money in this country is now obligated. I can do nothing about an increase in unemployment in this particular time without additional public-jobs or job-creation funds.

The present administration's allocation of public resources

under CETA from other sources in this fiscal year are approximately \$20 billion. I think all these figures should be checked, especially those given from memory rather than from prepared statements.

Somewhere \$20 billion has been appropriated, will be appropriated and utilized in loans. Contrast that to the public-jobs money--at least one piece of legislation that I am familiar with--and that comes to \$2 million.

I suggest we have some priority considerations there. We need immediate and short-range programs. The Congressional Budget Office indicates that the least inflationary, most immediate thing we can do, as an anti-recession tactic at this point, is to create public jobs.

In the short run, what are we going to do about 8.3 or 8.6 percent when that turns into seven or eight million people unemployed? The problem is particularly acute in the urban areas of this country. I suggest to you that we have a depression on our hands right now, and intellectual debate isn't going to solve it.

WIRTZ: Do you care to come to grips with the question of what a proper range is for a public-service employment proposal to the Congress?

VIETORISZ: I believe that full employment is technically achievable, but I have serious doubts whether it is politically achievable. I would like to read a statement by Jerry Wurf, President of the American Federation of State, County, and Municipal Workers, which is from the earlier conference and which raises the political aspect of full employment:

"What troubles me most about the present situation is the fact that the labor movement in this country is different from any other in the Free World. Ours is one that identifies with capitalism, with the social and economic system, yet finds itself in a class struggle that should characterize a Marxist-oriented or similar movement opposed to the existing system. The hostility, unconcern and unreasonableness forthcoming from the powerful business and financial communities is something I fail to understand. In this way, one day they may well succeed in changing the present mission of the American labor movement, which is to support the well-being of the existing system."

I think this is a very significant statement because in effect it says the U.S. labor movement is locked into supporting the private business system, and yet this system kicks the labor movement in the teeth. In other words, labor is locked into a position of sham harmony, but business knows better and practices the class struggle. I would say that the issue of full employment

politically is a problem of class and will not be resolved by compromise.

I think that Western European or Northern European ideas of planning how full employment can come about are feasible here. But you have to remember that in Europe they were feasible on the condition that for two generations there had been strong socialist-oriented labor movements which were able to pose a credible threat to the foundations of the system. Out of this threat they were able to negotiate a position which is an intermediate position.

So, in effect, the American labor movement, by committing itself unequivocally to supporting the system, has no negotiating strength which it can use to establish politically the kinds of conditions that are necessary for full employment.

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SHARAR: Voluntary nonprofit agencies have a strong record for well over a century of helping people cope with unemployment. They are an essential part of the private sector and epitomize the American spirit of helping people to help themselves. Located in neighborhoods where unemployment rates often run several times greater than the national average, they are known by the people and in turn know the people on a very real basis. Because voluntary agencies are rooted in the community and are deeply involved in all the major aspects of community improvement, they are in an excellent position to operate publicly funded employment programs.

Currently voluntary agencies throughout the country are playing only a modest role in public-employment programs, not for lack of interest or of capacity to do a major job, but rather due to complications in the process by which the government put this program into operation. Now voluntary nonprofit community agencies such as the YMCA want to play a much more significant role in helping persons in their localities who are on the brink of disaster because of long-term unemployment and the termination of benefits. Voluntary nonprofit agencies can effectively create, supervise, and manage up to 25% of the job slots made available in high unemployment areas. We urge a major expansion of publicly funded employment programs under the direction of voluntary nonprofit agencies.

KAUFMAN: I would like to make a few points to show why Congress has been reluctant to confront squarely the issue of full employment and why this reluctance is likely to continue.

Fiscal and monetary policy by itself cannot solve the present unemployment problem. Anyone who has looked at the present situation of high unemployment and the forecasts and projections for the next 5 years knows this. Model simulations demonstrate that it is not possible to bring the nation anywhere near full employment by 1981 through changes in levels of government spending, taxes or money supply. To attain full employment there must be a jobs program in addition to intelligent fiscal and monetary policy. A full-employment program must include a large public service employment component. There are other things the government can do to increase employment, but no program for full employment will succeed in the next 5 years unless the government creates a lot of jobs, and here is where we come up against several legislative hangups.

Many Senators and Congressmen react against the idea of a large public service employment program--it's expensive, it costs money. It is true that you have to spend money for anything, but when you think about increasing the Federal budget in order to support public-service employment, you are violating all the conventional wisdom which now has convinced great masses of people

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(and apparently the media) of the evils of big government and the need to trim back the bureaucracy.

There is no way of reducing government and trimming back bureaucracy at the same time you are putting together a large public service employment program. Many people are refusing to face up to this dilemma and the way they are doing it is by ignoring the need for a public service employment component to a full-employment program and simply not supporting it.

In addition, the consequences of a large public service employment component are various forms of government intervention in the private sector. This, too, raises a very serious dilemma for legislators. The private sector does not like it. The large corporations work against it. Congressmen may oppose public-service jobs for that reason alone.

I would merely suggest that if the people attending this Conference support the idea that a large public-service component is essential to achieve full employment, they are going to have to convince the legislative branch of the need for translating that into the law.

SLATER: One of the documents contained in your folder is a report in Chapter 3 which gives a description of the Federally funded, locally initiated emergency works projects program which the Joint Economic Committee has recommended at approximately \$1.5 billion for next year, based on the recognition of what is practical in the political sense.

If you talk about 3 million jobs, the net cost is something under \$10 billion. That is not to allow for the long-run savings in terms of economic efficiencies and so forth. There is a direct, measurable savings to the Federal budget within the year.

WIRTZ: Should a full-employment policy focus solely on the employment of human resources? What about the full employment of ownership of nonhuman resources with the income accruing through a capital-owning public, that is, wealth creation instead of job creation?

It is a thought that is going to be hard to fit into this discussion. Instead of inviting specific comment on it at this stage, I would be grateful if you would keep it in mind as another dimension to be commented on as the conversation suggests. But it is an intriguing thought at least that we ought to be concentrating on productivity of nonhuman capital.

HARRISON: Several times today it has been asked: Is it feasible to get full employment? Is it feasible to get down to three percent in 18 months? Is it possible? We have had a variety of answers.

It is impossible to answer these questions without some kind of political theory--not economic theory.

I cannot reconcile Peter Henle's answer (which I agree with)--that it is possible in America to get down to three percent unemployment at any time--with Helen Ginsburg's description of the 1930s without a political theory that helps me understand why the 1930s were different.

It seems to me very strange, as an academic, to have to say to political people on the staffs that the bills are politically naive. The private sector has the power to support legislation or to oppose legislation. It has a power to prevent anything that is legislated on this hill from happening, or at least to put roadblocks in the way, depending upon its particular interest.

General Motors is not the same thing as Sam's Barber Shop. Sam's Barber Shop would be delighted with a subsidized SBA loan, perhaps; General Motors couldn't care less. We have to decide which parts of the private sector we are talking about.

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Since the 1960s we have had a law in the United States which says that any private company that does \$1 million worth of business a year with the Federal government is required to list any new job vacancies with the state employment service.

We just learned in the last two weeks that in Massachusetts, out of 200 firms doing more than \$1 million worth of business with the government--mostly directly or indirectly with the Pentagon--only 2 of the 200 listed their vacancies with the employment services. No one cares. No one takes them to court. When they are pushed and asked why they don't list, they say, "Well, the government employment service has those people. We don't want those people." This has something to do with the discussion of the feasibility of reaching full employment.

Moreover, consider the decision of CONRAIL, the decision about which lines will be abandoned and which ones will not and where the public investment will be made and new kinds of connections being made entirely by industry-related people whose mandate is to make this system as efficient as possible. That means finding the optimum cutbacks in order to make the system possible, rather than organizing a system based on a criterion that will provide freight service and that will also make sure that no one is out of a job because there is inadequate freight service from points A to B.

This gets us into the whole area of inflation. We talk about inflation as being a threat to a full-employment policy. I believe it is, but I think we must consider employment and manpower policies and concern ourselves with the cost of inflation and the extent to which inflation can be created as a product of the industrial structure. Otherwise, we are talking about employment policies outside of their context.

VIKLUND: We have in Sweden a national commission which is to publish its first report on the 17th of December. I would like to read a few excerpts from that report.

First, you cannot force young and old people to take jobs in substandard environments. I will submit that better working conditions are a great contribution to full employment and therefore are not inflationary.

The other theme in the Royal Commission report is education and work proposals. The idea is to call up every single high school dropout and offer alternatives to long-term training after high school, short-term training programs coupled with work experience.

The report's proposal concerning the mobility of the labor market is that the government will pay the full bill of travel

and other moving costs. Of course, you cannot solve the problems by moving people from depressed areas to other areas. You must provide opportunities in all parts of the country. It is more than full employment, more than employment for all; it is also a problem of taking care of the hidden employment.

If you compare Sweden to the United States, we have 8 million people with 4.1 million in the labor force. If you improve on the child-care facilities, that means that a number of women will join the labor force. So you should not talk in terms of 92 million or 93 million in the labor force, but perhaps 6 or 7 million people in the labor force in Sweden.

As far as how to go about providing jobs, there are two alternatives. The first is an overall expansion, combined with efforts to achieve greater employment through an incomes policy. The second alternative is more selective: adjusting manpower policies to full employment and monetary resources.

We believe the overall expansionist policy along the Keynesian lines does not work any more. It ought to be coupled with an incomes policy. We have the traditional manpower policy, which is selective employment creation concentrated in certain areas. Here it is not just a question of so many programs. It is a question of the quantity. We spend over one and a half percent of our

GNP on projects of this character, while the United States spends just less than half of one percent.

In situations of acute and widespread recession in our country, the marginal employment subsidy may be largely indiscriminate. It affects all sorts of workers and all undertakings. For example, the government would offer to pay a premium of the order and magnitude of 25 to 50 percent of wage cost for all current employment higher than 95 percent of the total number of employees of each firm in a specified period. For last year the money is to be paid out month by month during one or more years to come, so as to improve liquidity immediately.

The subsidy may or may not be combined with programs for adult training or for improvement of the industrial environment. Upon approaching full employment, the subsidy may then be concentrated on marginal groups--workers in particular problem areas or handicapped workers, youngsters, women going back into the labor market after years of housework.

KEYSERLING: I was Chairman of the Council of Economic Advisors under President Truman. Since 1953 I have been devoting myself entirely to trying to handle the full-employment policies. I want to say we are grossly neglecting our national-priority needs. Full employment is attainable within a short period of time.

We had one percent unemployment in 1944, and 2.9 percent in the last year of the Truman administration. An amazing thing about our leadership, the executive branch and the Congress and many leading economists, is that they know the tremendous empirical evidence of the American economy for 25 years and ignore it. We have always had inflation and unstable prices and we never came near the full use of our resources.

The trade-off concept is a monstrous hoax. It was no easier to have reasonably full employment with less inflation in those times than it is now. In those times there was more moral will. There was also more of a moral commitment. There was more political commitment. There were better policies. Now we have bad policies and no comprehensive full-employment policy at all.

So, I am only going to talk about the principles of full employment, which I take to be the subject of this conference. Most of the talking in this room has been about bricks rather than about the house. Now I can understand the interest, the specialized interest in these very important things, but you can't decide how many bricks you need or what kind of bricks unless you know what kind of a house you want. You must first have national economic planning to develop the kind of a house you want. We need a national economic plan.

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Now a word about the general structure of unemployment. This has some analytical value, but for the most part such discussions can lead us down a blind alley.

We had 17 percent unemployment in 1939, and almost everybody told us this was hardcore, structural unemployment, that the people were too old or too young or too unskilled or too untrained and too unmotivated and they would rather be on relief. Yet during World War II these people were employed for the purposes of the nation; all of these hardcore, structurally unemployable people got jobs. There wasn't any appreciable unemployment anywhere.

The emphasis on structural unemployment is generally based on a failure to distinguish between the volume of unemployment and who gets selected for unemployment when there is partial unemployment. There has been a good deal of talk about the aggregate and structural aspects of the difference between macro-economics and micro-policy. This has some analytical value, but is also, for the most part, a blind alley. There is no such thing as an adequate aggregated policy that doesn't go into the structural problems.

You can't have a money policy that is aggregated to provide more money when the economy is loose--and less money when the economy is tight--without getting a structural problem. The tight-money policy hurts the wrong people and helps the wrong

people; it stimulates the wrong people and dissuades the wrong people.

You have to consider the distributive aspects of the monetary policy, which are structural. The same thing is true with taxes and spending. We have had tax reductions and tax increases, but they have been wrongly distributed in the structural sense and largely ineffective. And then you have to consider national priorities.

The purpose of jobs is not merely to provide employment, but to provide as well the goods and service that are most needed by the economy and by the nation and the people: energy, food, health, transportation, housing and education.

Then we have to strike a balance through structural means between our private consumption and public investment and private investment and private capital investment.

On the question of short range or long range, I think this also is a misleading tack. Everything is short range because the only value of long-range perspective is to provide a guide to what you do now to get where you want to be later on.

Now, we hear talk about not having national economic planning and not having a full-employment policy because the government has

been too weak. The government has been too weak. The government has been too weak to protect the people against monstrous price inflation. The government has been too weak to have the courage to assert the public's needs.

The public has been too weak to define what real costs are. We are afraid we should not go back to old programs. I think we should test programs by whether they are right or wrong, not by whether they are old or new. There are a lot of old things we ought to be doing, and there are a lot of new things we ought not be doing.

Then you come back to the matter of costs. People talk about what full employment costs. This is nonsense. The cost is \$2.6 billion, and a loss of 54 million man-years of employment opportunity by not having full employment.

I think it is a terrible shame that even in the current state of what we call the Humphrey-Hawkins Bill the group so much interested in this problem have not been supporting it vigorously and did not support it earlier.

However, Senator Humphrey and Congressman Hawkins and the Joint Economic Committee staff have been trying to help by working on that legislation. I hope all of the individuals here will

stop holding bull sessions and start getting down to the business of providing a legislative vehicle for the things that we need to do.

What are the main elements of that? The first main element is to have goals instead of forecasts. Everyone is now forecasting the terrible shape we are going to be in five years from now if we allow the automatic operation of unfortunate forces.

Human intelligence insists on making goals and then manipulating what is happening, not forecasting what is going to happen and standing idly by.

Second, we need to realize we cannot solve the problem with public-service jobs. Now, I have a 43-year record of being for public-service jobs. I am still for public-service jobs--for the basic, civilized responsibility of government to take up the slack and go for full employment. But we cannot activate or reactivate the economy, we cannot get anywhere near full employment without equal policies to restimulate private investment and private jobs.

We cannot provide the housing industry with private and public jobs. We can provide the housing industry with a change in the monetary policies through a change in the tax policies. The trouble

with the housing industry is that it accounts for 30 percent of all the unemployment in the United States today.

We must regard the content of the job and pay sufficient attention to our national priorities. We need a national-purposes budget. We need a unification of policies under a single quantitative goal.

It is only when we have Congressional legislation mandating the President to do this through his economic reports, and Congress adopting these policies, that we will be able to make measurable progress towards full employment.

BLUESTONE: One thing we have not adequately handled this afternoon is the difference between some of the employment problems we have in the short run and the problems we foresee in the long run.

Obviously, with today's unemployment rate at 8.6 percent nationwide -- with 14.6 percent in my state of Massachusetts; 16 percent in Rhode Island; and 11 percent in North Carolina (which is used to no more than 4 percent) -- we have short-run cyclical unemployment that must be dealt with immediately. However we must also be cognizant of what the future may hold.

Increasingly, there are a number of economists -- some conservative, some radical -- who in fact do see that the future does not look much better for us. Michael Evans of Chase Econometrics, for

instance, has recently estimated that during the next five years we can expect 9 million new labor force participants, but only in the neighborhood of five and a half million new jobs, given a 4 percent real growth in GNP. The result of these trends will be a continued unemployment rate of 8 to 9 percent.

We therefore have not only to deal with the present cyclical problem, which may require more public service employment, but we have to begin to deal with the long run problem as well.

The difficulty in planning for the long run, however, is that all too often we tend to deal with every single issue independently -- we either plan for jobs or plan for new housing or plan to put a man on the moon. Partly this fragmentation in our national planning stems from the committee structure of Congress. We have one committee to deal with housing, another committee to deal with NASA, another to deal with DOD expenditures and still another committee to deal with "jobs."

If nothing else has come out of this Conference -- and I think several very important things have been discussed -- at least we are beginning to see that when we talk about the long-term problem of full employment we are basically talking about the issue of overall economic development.

At the very least that means we cannot fragment our discussion of full employment to meet the jurisdictional lines of the Congressional committee structure. The questions of housing, transportation, and

new energy policy are therefore directly relevant to the question of full employment policy. To meet the long-run goal of full employment, we have to begin to think first about what kinds of production goals we have and then see to what extent we fulfill our commitment to full employment by satisfying those goals.

As an economist I do not believe that it will be possible to fulfill many of those goals -- once we examine them -- through continued expansion of the private sector alone. In fact, increasingly, I believe the private sector cannot lead to the kind of growth that we need to fulfill these goals.

What this inevitably will mean is increased public investment and this will have to be financed through taxation and revenue from new public enterprise.

In conclusion, then, we will only be able to reach real full employment by going through the complex process of first developing plans for public sector expansion and finding ways to finance such an undertaking. Once we are committed to a new economic development thrust, we can then argue about the details of how to maximize employment creation as part of such a plan. Only in this way do we get the kind of full-employment solutions that are indeed solutions rather than patchwork, band-aid remedies that are proposed every time the unemployment rate rises in our economy.

This all requires that we go well beyond the "full employment discussion" to a discussion of what overall social goals we want to achieve. I think this conference has begun to look at some of these.

BARRETT: I am a little disturbed that we are discussing the question of the feasibility of full employment, and most of the discussion centers around whether we could create enough public-service relief-type jobs to sop up the unemployed. I get the impression from this that some people say this is the only way we will get actual employment.

I have also heard some discussion about whether or not old-

fashioned monetary and fiscal remedies could get us back to full employment.

I am thinking that right now the Senate Finance Committee-- the entire Senate is debating whether or not to raise taxes. The choice facing us is not whether to cut taxes, but whether to raise taxes or leave them where they are; and if we raise taxes, maybe we also should cut back a little on spending.

I do not see any great mystery as to why unemployment went from four and a half percent in 1973 to 9 percent in 1975. It does not have to do with the deterioration of the skills of the labor force. It has very little to do with more teenagers and women coming into the labor force. It has to do with the fact that a very contractionary monetary and fiscal policy was followed.

Chase Econometrics, as Mr. Bluestone said, is projecting that in 5 years we will still have this unemployment. That is not to say that monetary and fiscal policy could not get us to full employment in five years; but, projecting what kinds of monetary and fiscal policy are likely to be followed (i.e., restrictive macro-economic policies), we are likely to see more high unemployment.

I might also add that I think structural-unemployment problems have worsened considerably over the last decade. Certainly the

immediate short-range increase in unemployment rates from 4 to 9 percent cannot be attributed to following the same kind of policies--policies people are saying don't work any more.

SPRING: Since 1968 Congress has been facing the difficulty of the veto--for example, the veto of the manpower bill and the veto of the 900,000-jobs bill, last April.

Congress can pass a bill to create 10 million jobs if it wants to, but if the Administration has a tight enough monetary policy, it can very effectively abort the whole operation. To make some recommendations, we have to think about what we do in terms of next January when we're in office.

The most important part of the Hawkins-Humphrey bill is requiring planning, as well as tax, monetary and manpower policies, to take care of people who are in fact left out of the economic situation.

HUMPHREY: We got to take the message out to the American people that unemployment in the long term is wasteful. What the country needs is work. Investments are like any other investments, but you can't do it on a one-year budget basis. Just think--we plan a budget on a yearly basis or even a two-year basis. You can't create anything really effective on a short-term basis. One of

the reasons that the Pentagon gets its hands on more money than anybody is because it has what we call long-term planning. When I was Vice-President, I sat around and studied that budget and found out that they are looking ahead 15 years. They get their nose under the tent with a new weapons system and then you are committed. Wouldn't it be nice to get our nose under the tent in a new employment policy and be committed to it? Why shouldn't we have a policy in this country that says that if people are willing to work, if they are able to work, there will be work for them? There is work for them in this country. No country ever went bankrupt from building and construction. You go bankrupt from printing money. But when you are making and using goods and services, then you are rich. That is the way we were brought up. But when you get to Washington, some people think if you spend money to rehabilitate your cities, if you put in water and sewer lines, if you take care of the park systems and do the things that need to be done, somehow or other that makes you go bankrupt. But the real fact is the contrary: it is what builds a country.

WIRTZ: We have emphasized the structural aspects of the notion of full employment, the local and regional aspects of it, and the planning aspects of it, all with due regard to its broader economic aspects. And we have witnessed a controlled but in no way diminished emphasis on the gravity of the problem we face.

We found no areas of significant disagreement, not even with respect to the specifics as they arose. There was complete consensus in the discussion at this table that full employment in this country is a completely real prospect. There is nothing that stands in the way of achieving that prospect except what we referred to several times as political difficulties.

We are not in a position to advise you after 4 hours together about specific programs, but we will say we are tired of what has been referred to here as trade-offs of one kind or another. If Keynesian economics says we can't get below 4 or 5 percent unemployment, we say it is time for someone to say: The emperor wears no clothes.

We find, to the best of our ability, that it is a responsible advice to the Congress of the United States that full employment as the people--rather than as the economists--understand it, is a viable objective for this particular time in our history. The message I find common to all the discussion here today and representative of the views of the group assembled is simply that nothing except lack of courage and overemphasis on political concerns of one kind or another stands between us and getting on quickly with what we propose to do: There must be full support of public service, public contracts and a public program.

Our interest in long-range answers of one kind or another in no way diminishes our support for the necessary short-range response.

I think we would properly summarize this Conference by saying to those who called it, the Congress of the United States: You underestimate and lack the courage of this country's convictions.

SLATER: I would like to thank Mr. Wirtz for moderating the Conference and say that he has done an excellent job in getting across the message, which is that full employment is a viable objective.

We on the Joint Economic Committee will certainly do all we can to get this message to Congress and the country as a whole.

WIRTZ: We are sufficiently sophisticated to know that very little time has been given to us for our examination and counsel, but we are also experienced enough to know that the kind of things suggested here will have an effect. Thank you.

IV. COMMENTS AND NEWS ITEMS FROM THE NATIONAL PRESS

"AFL-CIO Policy Statement Says Congress Should Act to Cut Unemployment to 3%"

Wall Street Journal, 8 November 1975

Calling "full-employment" legislation a must for congressional action next year, the AFL-CIO outlined its own formula for such a law.

Noting that some members of Congress have endorsed various "full-employment" proposals, the federation's Economic Policy Committee urged lawmakers to push for a "realistic, achievable workable measure." Some full-employment proposals have been criticized as being too expensive and inflationary.

Many economists have considered an unemployment rate of 4% of the work force to be "full" employment, although the entry of many teenagers and people lacking job skills has caused some to say 5% is a more realistic figure. The rate was 8.3% last month, and the Ford administration officials expect it to remain high for several years.

But the AFL-CIO policy statement said Congress should start "an immediate and sustained campaign" to reduce unemployment to 3% of the labor force and keep it from increasing above that.

Thus, "the unemployed, at any time" would be only persons who are temporarily jobless "such as new entrants to the labor force, people who are moving or people encountering temporary joblessness due to seasonal fluctuations in their industry.

When usual job openings won't meet the 3% goal, the statement said, the government should maintain a public employment program of jobs at "prevailing rates of pay" and at least the federal minimum wage currently \$2.10 an hour.

The AFL-CIO said the President should outline to Congress each year targets, policies and programs to achieve full employment, and should be required to propose specific federal tax, monetary and budget policies to be pursued.

Similarly, the AFL-CIO proposed that the Federal Reserve Board should "justify" to the President and Congress the manner in which its monetary policies will help meet full-employment targets.

Throughout the last recession the AFL-CIO repeatedly called for job creation policies as well as moves to ease the impact of unemployment on jobless workers. But the new policy statement is the first specific sketch of full-employment legislation the federation would support.

"How Jobs Could Fight Inflation"

by Tom Wicker

New York Times, 16 November 1975

One of the most widely accepted economic propositions of our time, endorsed by Keynesian liberals as well as conservatives, is that the achievement of full employment will inevitably bring price inflation. The so-called "Phillips curve" even calibrates the connection--the lower the rate of unemployment, the higher the rate of inflation, and vice versa.

It is upon this proposition that Gerald Ford based his veto of emergency jobs legislation, and a Gallup Poll showing that most Americans view inflation as a greater danger than unemployment gives his position considerable political validity. Obviously, he believes the voters will choose an "inflation fighter" over a "spender" next year, even if the spender's stated purpose is to put the unemployed to work.

The belief in an inflation-unemployment trade-off also is at the root of the relative timidity of the Democrats in pushing for measures to reduce unemployment, and the relative weakness of the measures they have supported. And the fear of inflation is no doubt the primary reason why the farreaching Hawkins-Humphrey bill--which would be aimed at producing true full employment, not just 4-to-6 percent unemployment--does not have much chance to pass, and would surely be vetoed if it did.

Given such consequences, is the belief in the inflation-unemployment trade-off really valid? A number of economists, possibly a growing number, do not think so. Their general case is set down lucidly by Peter Barnes in the Fall 1975 issue of Working Papers--a special issue devoted to "politics and programs for 1976."

Mr. Barnes, now an official in the Presidential campaign of Fred Harris, is arguing for a guaranteed-job program. He recognizes that supporters of such a plan either must attack the idea that full employment would cause inflation, or argue--more dubi-

ously--that putting the unemployed to work would be worth having higher prices for everybody.

The case he states is that full employment would not necessarily cause inflation, and that it might even "promote price stability." This is based on the idea that, contrary to the Phillips-curve proposition, "prices no longer fluctuate in accordance with supply and demand" in the American economy. Instead, as evidenced recently with automobiles, falling demand leads to higher prices, as the volume of production diminishes and per-unit costs rise. In economic areas where major industries "administer" prices, they raise them to compensate for lower volume and higher costs.

In this thesis, unemployment does not fight the resulting price inflation. It feeds it, since it reduces demand, thereby encouraging a further round of administered price increases to compensate for lowered volume. It follows that putting the unemployed to work would fight administered-price inflation, because the newly employed workers would not only increase aggregate demand but add to the supply of goods and services, and thus tend to promote price stability.

Since many of the unemployed are paid something, through compensation plans or welfare, but produce nothing, paying them wages for productive work should result in a net increase of aggregate supply over aggregate demand. Putting them to work also should increase the volume of production. Both factors actually would tend to lower rather than increase prices.

As for the Federal budget deficit, since it is largely the product of the drop in tax revenues attributable to unemployment, a successful full-employment program would tend to reduce the deficit, hence pressures on the credit markets. Interest rates therefore would remain at reasonable levels. Even President Ford's budget report conceded that "if the economy were to be as fully employed in 1976 as it was in 1974, we would have \$40 billion in additional tax receipts, assuming no change in tax rates, and \$12.7 billion less in aid to the unemployed." That's \$52.7 billion more revenue at 1974 tax and employment levels--and the latter was not true full employment.

For all these reasons, the Congressional Democrats may have a more significant instrument in their hands than many now think--the Hawkins-Humphrey bill. It would give every American an enforceable right to a job, make full employment the measure of the fiscal and monetary policies of all Federal agencies, establish federally administered "job reservoirs" meshing private and public

employment, and set up a Standby Job Corps by the public employment of those waiting for permanent jobs. Mr. Ford's certain veto of such a bill, if the Democrats should pass it, would draw the issue sharply for the election next year.

"Congress Told Everyone Has 'Right' to Work"

by Charles Stafford

St. Petersburg Times, 11 December 1975

A member of the Danish Parliament provided this philosophical tidbit Wednesday for the guidance of the American Congress as it wrestles with the nation's economic problems: "Unemployment is created by man; it is not a law of nature."

Full employment is attainable, said Kjeld Olesen, but it requires a national commitment to the principle that "everyone has a right to work."

Others who gathered with him to advise Congress said over and over again that it costs the government more to support unemployed people than it would for the government to pay them to work.

Olesen and two dozen American economists, business leaders and labor experts took part in a symposium on a full employment policy for the United States. Sen. Hubert H. Humphrey, D-Minn., and Rep. Augustus Hawkins, D-Calif., sponsors of full employment legislation, were the hosts. Willard Wirtz, secretary of Labor during the Kennedy and Johnson administrations, served as moderator.

Humphrey told the panelists that Congress needs to know whether full employment--a state in which national unemployment recedes to 3 per cent or below--is a realistic, attainable goal, and how that goal can be achieved. It also needs advice, he said, on how to convince Congress and the people that they must make a national commitment to full employment.

Sen. Dale Bumpers, D-Ark., said that he had asked the Library of Congress for information on the cost of unemployment. It reported to him, he said, that for each 1 per cent of unemployment, government spends \$2-billion a year in unemployment benefits, \$2.6-billion a year in increased welfare payments, and the economy suffers setbacks--lowered production, lessened purchasing power--that add up to a \$16-billion annual loss in gross national

product. Unemployment is currently running just above 8 per cent.

Bumpers' figures would indicate that the current annual cost to the federal government for 5 per cent unemployment--the difference between the current rate and full employment--about \$103-billion.

"Obviously," said Bumpers, "it is costing us a lot more to permit unemployment than to hire these people in public service work."

Leon Sullivan, director of the Opportunity Industrialization Center in Philadelphia, warned: "If we don't move to a policy of full employment, in the next few years we are going to see insurrection in the cities of this country that will make those disturbances of a few years ago seem like little church meetings."

In some urban neighborhoods, he said, unemployment runs as high as 40 per cent.

"We feel our government has a lopsided policy," Sullivan said. "We are helping the poor of the world and neglecting the poor of America."

To achieve full employment, he said, there is a need to create jobs to fill the needs of individual communities, and a need to train people for jobs that already exist but for which they are not qualified.

His organization recently conducted a survey of help-wanted advertisements in the newspapers of 200 cities on the same Sunday. The results indicated, Sullivan said, that there are 3-million jobs in the United States that are not filled.

Training and utilization of unfilled jobs could cut unemployment from 8-million to 3-million in five years, he said.

Dr. Carl Madden, chief economist for the U.S. Chamber of Commerce, agreed with Sullivan that there are many unfilled jobs. Many persons, he said, are blocked out of the job market by government policies that work against full employment.

As an example, he asked why there is a need for a minimum wage when the government provides programs to supplement wages of low income workers. The minimum wage law, he said, forecloses business from trying to obtain people to do work that requires minimum skills.

Dr. Barbara Bergman, professor of economics at the University of Maryland, said that fear is working against attainment of full employment. First of all, she said, there is a fear that a full employment policy would result in a high rate of inflation. Secondly, she said, there has grown out of New York City's financial plight a national fear of debt and deficit.

Congress and government economists, she said, must find a way of reducing unemployment while coping with those fears. It is very likely, she said, that the move toward full employment will have to be accompanied by government controls, such as wage and price controls.

John Gilligan, chairman of the Council of National Priorities and Development and former governor of Ohio, said that the federal government must be more conscious of the impact on state and local governments of the fiscal policies it adopts. State and local governments, he said, are often forced by the federal government into actions that directly contradict the federal policies.

As an example, Gilligan said, the government is presently pursuing a policy of reducing spending and cutting taxes. As a result, state and local governments, to compensate for lost revenues, are being forced to raise taxes and lay off thousands of government workers.

"Creating Jobs Is Not Easy"

by Tom Wicker

New York Times, December 1975

"This country is desperately short on public goods and services of the most basic nature," Senator Hubert Humphrey said here the other day. "How ironic, how tragic it is that there are millions of idle people on the one hand and so much undone work on the other."

A day or so later, in Akron, Ohio, Chairman Arthur F. Burns of the Federal Reserve Board looked at the other side of the same coin. "If an unemployment rate of 8 or 9 percent is insufficient to bring inflation to a halt," he said, "then our economic system is no longer working as we once supposed."

If that is so--if there is no real "trade-off" between unemployment and inflation--then there is no true economic reason why Senator Humphrey's lament cannot be answered by a full employment

policy that would not only expand the private job market but utilize public service employment more effectively than ever before. Such a policy is the goal of the so-called Hawkins-Humphrey bill now pending in both houses of Congress--although it will be much revised in the coming months.

The bill would declare it the policy of the Government to make a decent job available to every American willing and able to work. And it would impose on every agency of the Government, including the Federal Reserve Board, the necessity to do whatever would be necessary to achieve full employment. The beginning target would be to reduce the rate of unemployment--now at 8.3 percent--to 3 percent within the first 18 months.

The policy would be enforceable in at least two ways. Individual Government agencies and the Administration in power would have to explain and justify their monetary and fiscal actions to Congress; and American citizens would have the right to go into court to enforce their job rights. Nevertheless, the Hawkins-Humphrey bill does not as drawn establish vast new public-service hiring programs.

Rather it imposes a full employment policy, and leaves it to the Administration to find the means of implementing it. Thus, if a Ford-like Administration wanted to act primarily within the private sector and with incentives to business, it could do so--as long as the necessary jobs were provided. The measure would establish, however, a Job Guarantee Office in the U.S. Employment Service and a Job Corps to provide temporary work for applicants awaiting a more permanent private or public service job.

The costs are hard to calculate, but they obviously would be substantial. On the other hand, Representative Augustus Hawkins of California, the bill's House sponsor, points out that owing to high unemployment as much as \$75 billion a year is being lost in tax revenues, \$23 billion will be paid out in 1975 for unemployment benefits, and a \$12 billion tax reduction has been enacted.

How much unemployment may also be costing in increased welfare benefits cannot be exactly known. Obviously, however, an effective full employment policy would be less costly in the long run than the kind of unemployment rates envisioned--under present policies--for the rest of this decade.

Thus, the Hawkins-Humphrey bill seems to many economists to be moving in the right direction, although it is by no means a flawless instrument. One penetrating critique presented last week at a Congressional Conference on Full Employment pointed out,

for example, that the bill "still begs the crucial question of how the public sector can actually create new jobs."

This view, put forward by Barry Bluestone of Boston College and Bennett Harrison of M.I.T., held that public service jobs, like any other required capitalization, for which no real provision had been made. They called for new capital inflows into depressed regions and capital assistance for new enterprises and ailing businesses, perhaps to be provided by a national development bank; and they suggested that such capital might be found by eliminating tax incentives for foreign investment and many "unproductive" national and state business tax incentives.

These and other critics believe the Hawkins-Humphrey approach pays too little attention to structural underemployment in a technological economy; and that although it calls for local planning councils to develop and oversee job reservoirs, this effort to avoid centralized control risks an essential lack of coordination.

But the major political pitfalls are the widespread view that full--or even high--employment inevitably means inflation, and the lack of understanding that the "spending" necessary to effect such a policy would in the long run increase revenues and reduce the Federal deficit. A full employment policy, whether derived from the Hawkins-Humphrey bill or any other, is not politically likely, therefore, unless inflation can also be controlled.

Arthur Burns may have hinted at the key to that when he said in Akron that "competition has become less intense in many of our private markets"--an apparent suggestion that corporate and union power can hold up prices and wages in spite of supply and demand.

"Jobless Numbers"

by John Conyers Jr.

New York Times, 1 January 1976

Early this month, the Labor Department announced its latest statistics on employment in the United States. The number of jobless dropped from 8 million in October to 7.7 million in November, causing the unemployment rate to decline from 8.6 percent to 8.3 percent (a good sign!). At the same time, the number of jobs decreased slightly, from 85.44 million to 85.28 million (not such a good sign!).

These figures had to be disappointing the Ford Administration,

which hoped that the upsurge in jobs and production registered during the third quarter of this year would continue. Nevertheless, it assured us that economic recovery was still rolling along. Just more slowly than hoped.

A closer look at the figures, as appalling as they are, reveals a chilling picture. The fact is that for millions of blacks as well as whites the job scene is incredibly bleak. The crucial statistic, the one showing the number of employed, remained almost motionless.

Even more critical is the fact that the Government's method for calculating unemployment is rigged, deliberately designed to conceal the true level, understating it by almost half.

According to the National Urban League, nearly 15 million persons (not the 7.7 million officially admitted by the Labor Department) are jobless, and the unemployment rate is 15 percent. For blacks, conditions are worse, for the official rate of 13.8 percent, when adjusted, soars to 26 percent.

How does the Labor Department slant the statistics? The method is fairly simple. It merely defines in very narrow terms who is unemployed and calls many people employed who are not, in any real sense.

Amazingly, millions who searched for jobs so long that they stopped looking are not considered officially jobless, because they don't fit the department's "unemployed" category (they must have looked for jobs within the four weeks preceding the monthly survey). Thus, in a stroke, some 5.3 million discouraged workers are written off the rolls.

Who else is omitted? The 3.6 million forced to work on the average half a week because they can't find full-time jobs but who, when asked in the monthly survey, say they would take one immediately if it were offered.

If we add the 5.3 million discouraged workers and just half the part-time workers (1.8 million) to the official 7.7 million, the number of unemployed soars to 14.8 million. For blacks, the numbers surge from 1.5 to 3.1 million.

Who is called employed? The Labor Department includes the 3.6 million part-time workers. It also includes the unpaid family workers who don't receive wages but help on family farms and stores and share in the family income, generally because no other jobs are available. The department also labels employed those

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millions who work for wages beneath the official poverty line (\$5,400). At present, over 25 percent of black workers in this country work for poverty wages, but they, like the part-time and unpaid family workers, land in the Labor Department's "employed" column, just as if they earned, say, \$35,000 a year.

What does this mean? For those forced into part-time work, life is a daily search for more secure, full-time work with full-time pay. For those working for poverty wages, there is the incessant struggle to survive on that pay, as well as the realization that they must hang on to their jobs.

And for those luckier workers with better paying jobs, there is a vivid awareness that they must tame any demands for higher pay or improved work conditions.

For industry, the vast numbers of jobless, part-time and low-paid workers mean a huge supply of cheap labor when the business cycle picks up.

For obvious reasons, the Government must hide the extraordinary extent of unemployment, of wasted, idle lives and productive capacity. Indeed, if the truth were known, the public outcry would be so great, so unrelenting, that it would be forced to act, to guarantee jobs now and at livable wages. And this is precisely what the present Administration is unwilling to do. Instead, it would leave the matter to the "market," to "supply and demand," to chance.

In fact, Government spokesmen now talk of acceptable unemployment rates in the 7 percent range. Yet only a few years ago, such pronouncements would have been attacked as intolerable. But since the Administration is aware that vast unemployment is the tool that allows big business to extract its profits, it asserts that joblessness is an economic necessity.

To reduce the current "official" unemployment rate to 5 percent by 1985, over 37 million jobs are needed; 8 million for the present jobless, 15 million to accommodate the normal population increase, and 12 million more to compensate for those jobs lost because of technological advances in industry.

But over the last ten years, according to "The 1975 Manpower Report of the President," only 16.5 million new jobs were created, and most of these were in low-paying industries.

The task of public policy must be to turn that around, to put people to work for people, rather than for profits. Unless we act

now and support legislation being proposed in Congress that would insure each worker the right to a job, the outlook for American workers will be only a replay of the present--No work, no wages, no self-respect and no hope of change.

"Platform on a Snowy Day"

by Tom Wicker

New York Times, 2 January 1976

[The next president's job should] be to undertake to provide the American people with full employment--not 4 or 6 or 7 percent unemployment--but a job for everyone willing and able to work, in private enterprise to the extent possible, in public employment to the extent necessary. This would not be offered as a panacea for all economic ills, but as a positive step to reduce poverty, welfare dependence and possibly street crime, accomplish certain public purposes (for example, the reconstruction of railroad lines), and hold down inflation by increasing both supply and demand.

"Opportunity for the Democrats"

by Tom Wicker

New York Times, 14 December 1975

The Democrats now have the opportunity--there may never be a better--to develop an economic and political issue of overriding importance for a 1976 campaign against either Gerald Ford or Ronald Reagan. The issue is full employment; the opportunity arises from Democratic control of Congress at a time when the Ford Administration "in effect is substituting welfare for an employment strategy," as the Joint Economic Committee recently put it.

The Ford policy not only costs too much in immediate dollar terms--about \$20 billion a year for unemployment benefits alone, together with a substantial increase in Aid to Families with Dependent Children and about twice as many food stamp recipients as would be normally expected; but the high unemployment it tolerates--8.3 percent now, with the rate expected to remain near or above 7 percent for the rest of this decade--is primarily responsible for the \$74 billion budget deficit projected for fiscal 1976, and the cause of many disagreeable social consequences--higher crime rates, for one probable example.

Leon Sullivan, a respected black leader from Philadelphia and a member of the board of General Motors, believes also that "new seeds of insurrection are being sown in the cities of America" by the pervasive poverty to which such unemployment rates contribute heavily, and that if nothing is done to move toward full employment "within the next four years at most," the resulting explosion will make the urban riots of the sixties look like little church meetings."

But full employment is an issue that cuts across racial lines, and should have appeal in the suburbs and small towns as well as in the cities. It is not a utopian scheme, nor economically impractical. Mr. Sullivan was speaking at a "Congressional conference" on full employment, convened here this week by the Council for National Policy Planning, and at which numerous economists, business leaders and members of Congress expressed support for the concept, and put forward ideas for realizing it--as well as cautionary qualifications.

Politically, moreover, the times seem ripe for new directions. As Gar Alperovitz, the economist, put it, there is a "growing sense that the traditional methods of dealing with these problems simply won't work"--neither Ford-style budgetary conservatism nor the Democrats' familiar combination of tax cuts and public-service job programs.

Senator Hubert Humphrey--now the leader for the Democratic Presidential nominations, according to the Gallup Poll, and Representative Augustus F. Hawkins of California have provided their party with the necessary instrument for making full employment the central issue of the 1976 campaign. They have introduced in House and Senate the so-called Hawkins-Humphrey bill, imposing a mandatory full-employment policy on the Federal Government, including the Federal Reserve Board, and making a decent job the legal right of every American.

Improved versions of the measure are now being drafted. House sources say Speaker Carl Albert has pledged his full efforts to enactment by next spring. The AFL-CIO outlined in November a full-employment program, similar to the Hawkins-Humphrey bill, that it called a "must" for Congressional action next year, and George Meany is reported to have pledged that labor would "go all out" for its enactment.

Mr. Ford would undoubtedly veto the Hawkins-Humphrey bill if Congress did pass it; even if it were defeated in Congress, his opposition and that of Republican legislators would draw the issue; and while Mr. Reagan's attitude cannot so easily be predicted, his

conservative backing suggests he might be even more strongly opposed.

None of this would be as easy for the Democrats as it may sound. The conventional wisdom is that full employment must inevitably cause high inflation and huge deficits (although the exact opposite might be true of a properly conceived full-employment policy), and the Republicans and conservative Democrats would make a hard fight on that ground. The costs in the beginning are hard to estimate, but the Joint Economic Committee thinks a program to provide jobs for only half of the unemployed above the 4.5 percent level would cost about \$5.5 billion a year. Full employment might actually pay for itself ultimately in increased tax receipts and productivity, but that is a hard argument to make against high initial dollar outlays--for which, anyway, no provision was made in the Congressional budget resolution approved this week.

Some of the economists at the Congressional conference warned, moreover, that the Hawkins-Humphrey approach needs much work before its commitment to full employment could become a successful program for achieving it; of these criticisms, more later. Politically speaking, the Democratic opportunity is to make the commitment the bill calls for and to campaign against the Republican nominee--and George Wallace, if necessary--on the pledge of a decent job for every man and woman willing and able to work.

"Our Future: Centralization or Decentralization"

by Gar Alperovitz and Jeff Faux

New York Times, 3 January 1976

The United States is well on the way to a planned economy. Over the next decade, questions of economic growth, income distribution, price and employment levels and the use of scarce natural resources will become more and more subject to explicit political decision. The key questions are not whether we will plan, but how and for whose benefit.

Demand for planning is growing in divergent quarters: Corporate executives like Henry Ford 2d, chairman of the Ford Motor Company; financiers like Felix G. Rohaytn, chairman of the Municipal Assistance Corporation, in New York; labor leaders like Leonard Woodcock, president of the United Auto Workers; and politicians like Senators Jacob K. Javits and Hubert H. Humphrey are calling for more explicit Government intervention in the economy.

The period of protracted economic stagnation that lies ahead will accelerate these demands. The market clearly cannot provide us with full employment and price stability. Moreover, it cannot cope with the growing instability of world resource supplies. In many areas the market even gives the wrong signal. Five years before the energy crisis of 1973, petroleum prices were still declining.

Planning is in fact necessary in the modern economy, and Government must take the lead. Recent national polls, however, show that most Americans understand that Government policies are easily manipulated by powerful special interests.

The pollster Peter Hart found earlier this year that a majority of the public thinks the major corporations tend to dominate public officials in Washington. A majority also feels that both the Democratic and Republican Parties favor big business rather than the average worker. A smaller majority feels that big business is the source of most of what is wrong with the country.

The public is right about the ease with which big business moves in on big government. For this reason, we need to build new institutions to assure that the economic planning we get grows out of democratic processes, rather than the kind of informal collusion between public and corporate bureaucracies that has marked energy planning in the United States and broader economic planning in much of Europe. Democracy itself must become a major goal of economic planning.

The public is ahead of the politicians on these issues. Two-thirds of the respondents in the Hart poll favored employee ownership of large corporations, and three-quarters felt that consumers should be represented on the boards of large corporations that operate in their local areas. In other polls, majorities have endorsed creation of a publicly owned oil company to compete with private firms.

In a country as large as the United States, decentralization is essential for democratic planning. The planning process should therefore begin at the local level. A democratically determined national economic policy should be the balanced and integrated sum of the plans of thousands of communities and neighborhoods in America, not the politically balanced views of a Presidential staff and a few Congressional leaders.

Fortunately, we do not have to start from scratch. We have some ten years of experience with attempts at citizen participation in local planning--urban development, suburban zoning, anti-poverty, and other activities. New experience is being developed

in participatory local planning for jobs and housing in several cities of the nation.

Resistance to democratic decision making has been fierce. Bureaucrats, public and private, have barricaded the paths to information and power and then blamed the people for being uninformed and unable to act. Still, in almost every American community there are skilled, sophisticated citizens and viable community organizations upon which a democratic economic planning system can be built.

Such a system would begin with these questions: What do you want your neighborhood or community to be like in five years? What capital and labor resources are needed? What technology will be necessary?

National priorities should be based on what is needed to support local goals developed throughout the nation.

Developing local-planning capacity will take a national investment of time and money. Both are needed to create ways of making compromises between conflicting needs of different localities and regions. We must also protect individual economic rights from the tyranny of local majorities. But if we do not make the investment now, the inevitable drift to centralized bureaucratic economic planning, informally structured to achieve corporate priorities, can only be regarded as a fundamental threat to democracy.

"Laying a Foundation for Solving National Problems"

by Gar Alperovitz and Jeff Faux

New York Times, 6 January 1976

Guaranteed employment and stabilized prices of basic necessities should be two major goals of economic planning. Not only are they important in themselves, but they are needed to create a foundation for solving other national problems.

Assuring a job to every employable American would have broad implications.

First, the fear of unemployment and economic ruin that is at the heart of most resistance to change would be reduced. Workers would be less resistant to cuts in the military budget or environmental policies if they knew they would have immediate replacement jobs. White workers would feel less threatened by blacks, men less threatened by women.

Second, guaranteed jobs would stabilize local employment, reducing the waste and community dislocation associated with fluctuating economic conditions. It would eliminate a substantial portion of migration within and between cities that is forced upon people by the loss of jobs. Stabilizing the job market in rural areas, smaller cities and depressed sections of metropolitan areas would have averted part of the economic crisis in New York City.

It would also help relieve the current fiscal crisis in state and local governments by maintaining tax revenues and reducing the need for social services. Stabilizing employment is thus a necessary condition for American cities to resume the task of rebuilding safe, livable neighborhoods.

A start toward a guarantee of employment is the Equal Opportunity and Full Employment Bill, sponsored by Senator Hubert H. Humphrey and Representative Augustus F. Hawkins. It would provide every American with the right to a job--enforceable in court. It calls for the Federal Government to act as employer of last resort. Job-guarantee offices across the country would be ready at any time to give public-service jobs to any American who applied.

However, a job-stabilization program should not be limited to traditional private and public-service jobs. It should be part of a planned rebuilding of important industrial sectors of the economy.

For example, America needs to rationalize its rail transportation system, both to save energy and to encourage more geographically balanced population growth. Transportation planning can in turn be used to stabilize employment in areas hard hit by the decline in automobile demand.

The potential impact is suggested by calculations made by Senator Philip A. Hart: If one-fifth of ground traffic were shifted to public transport, 1.5 million new jobs would be created by 1985, including 51,000 in the construction industry, and 450,000 in manufacturing, for which an estimated 225,000 workers could be drawn from the ranks of unemployed auto workers annually.

But instead of using Government transportation contracts to build up private corporate empires as we have in defense production, manufacturing of railroad equipment paid for largely by the public should be done by new firms with ownership shared by employees, the local community, and the Federal Government. Senator Edward M. Kennedy's recent proposal that some large auto firms be divested of their mass-transit-producing facilities, and under certain circumstances held in public trust if no suitable buyer can

be found, could begin to move us in this direction.

The second major thrust of economic planning should aim at stabilizing the price of the basic necessities--food, housing, medical care, and a minimum level of energy. These four items constitute nearly 75 percent of the consumption expenditures of the average urban family.

Over the last three years, for instance, high prices have forced American consumers to pay \$60 billion more for food, hitting low- and moderate-income families particularly hard. Agricultural policy has long been planned by government but has mainly benefited large agribusiness corporations.

A food program similar to the way Canada handles wheat would involve planning to benefit the public--direct production payments to farmers to keep consumer prices down would be much less costly and of more progressive benefit than recent programs.

A direct approach to inflation would stabilize the price of necessities, but it would not have to stabilize the price of non-necessities, such as luxury foods or vacation homes. They could be allowed to fluctuate.

National planning to eliminate the fear of being unemployed and unable to afford necessities would free people to participate more fully in local planning. It would also free our society as a whole to deal with deeper issues that face us, among them the exhaustion of natural resources and the alienation of people from their work and community.



